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

FORM 10-KSB

(X) Annual Report Under Section 13 or 15(D) of the Securities Exchange Act of 1934 for the Fiscal Year Ended December 31, 2005

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

Commission file number: 0-50019

ASPENBIO PHARMA, INC. (f/k/a - ASPENBIO, INC.)
(Name of small business issuer in its charter)

Colorado	84-1553387
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1585 South Perry Street, Castle Rock, Colorado 80104
(Address of principal executive office) (Zip Code)

(303) 794-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, no par value

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

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

Check if there was no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

The registrant had revenues of $860,000 for its most recent fiscal year ended December 31, 2005.

The aggregate market value of the common stock of the registrant held by non-affiliates as of April 11, 2006 was $12,089,000 based upon the average closing bid and asked prices.

The number of shares outstanding of the registrant's common stock at April 11, 2006, was 17,249,098.

Transitional small business disclosure format. Yes [ ] No [X]

DOCUMENTS INCORPORATED BY REFERENCE

N\A — None

ASPENBIO PHARMA, INC.
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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this report that are not historical facts constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, and are intended to be covered by the safe harbors created by that Act. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors, which may cause actual results, performance, or achievements to differ materially from those expressed or implied. Any forward-looking statement speaks only as of the date made. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which they are made.

Statements concerning the establishments of reserves and adjustments for dated and obsolete products, expected financial performance, on-going business strategies and possible future action which we intend to pursue to achieve strategic objectives constitute forward-looking information. The sufficiency of such charges, implementation of strategies and the achievement of financial performance are each subject to numerous conditions, uncertainties, and risk factors. Factors which could cause actual performance to differ materially from these forward-looking statements, include, without limitation, management’s analysis of our assets, liabilities, and operations, the failure to sell date-sensitive inventory prior to its expiration, competition, new product development by competitors, which could render particular products obsolete, the inability to develop or acquire and successfully introduce new products or improvements of existing products, problems in collecting receivables, testing or other delays or problems in introducing our bovine pregnancy test, and difficulties in obtaining financing on an as-needed basis.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

AspenBio Pharma, Inc. (the "Company" also we, us or our) is an emerging biotechnology company engaged in the discovery, development, manufacture, and licensing or marketing of products primarily for animal healthcare. Founded in August 2000, and headquartered in Castle Rock, Colorado, we leverage our proprietary knowledge and technology towards the development of novel patented or patentable products we believe have substantial market potential. As a significant supplier of human antigens, we manufacture and market approximately 30 antigen products primarily for use as controls by diagnostic test kit manufacturers and research facilities, to determine whether diagnostic test kits are functioning properly. While generating modest, but substantially all of our revenues from this antigen business, we have been actively advancing the development of novel animal reproduction products for large worldwide markets. We currently have a growing product pipeline including novel recombinant hormones and diagnostic tests in development. We also recently initiated our first Food and Drug Administration ("FDA") application with an Investigational New Animal Drug Application ("INADA") filing for one of our new recombinant hormones.

By focusing primarily on veterinary medicine, we gain several competitive advantages. First, since the FDA approval process for animal products is often less costly and time-consuming than that for human products, our research and development costs are substantially reduced and the timeline to product launch is shortened. Second, we believe animal healthcare represents an area of significant market potential with less market competition as compared to the human market. Third, we are able to focus our research and product development resources on improving animal reproduction providing significant new economic and efficiency benefits in large well-developed as well as underdeveloped markets worldwide. Fourth, we are able to focus on fully exploiting what we believe is the significant market potential of a totally new class of reproduction hormones via our patented "single-chain gonadotropin" technology which we believe offers a number of significant cost and performance advantages in numerous non-human mammalian species of economic importance, over conventional native hormone products currently available.

Success for us will depend on our ability to develop and commercialize new products. We are currently focused on completing development of, and bringing six novel products to market. Three of these products provide solutions to improve bovine reproduction, two of these products provide unique solutions for equine reproduction and one human diagnostic product provides a totally new method of assisting physicians in the diagnosis or rule out of appendicitis. We have applied for patent protection on products where they are not already patented under acquired licensed rights.

Product Overview

Our strategy is to search for opportunities where we can use our protein purification, molecular biology abilities and utilization of genomics and proteomics to create unique and if possible, proprietary patented products. We focus on expanding into other uses for purified proteins, principally for diagnosis and treatment of animals and humans. An important factor in diagnostics products is the vastly reduced times required from product conception to saleable product as compared to therapeutic products which often require many years to market, due to significantly more stringent FDA requirements for therapeutic products.

Products we have in our pipeline consist of product candidates in various stages of clinical and pre-clinical development. One of our business strategies is to focus primarily on products and technologies which we believe have an attractive time line to revenue. We pursue technologies under "in-licensing" agreements with universities, researchers or doctors; complete research and development on the technologies through proof of concept, and then either "out-license" to "Big Pharma" companies and \ or go to product introduction and launch.

Following is a summary of our current key products and their development status:

Product	Use	Stage	Revenue	FDA Approval
SurBred™	Pregnancy status	Development	Pre	N\A
Licensed Recombinant Analogs:				
StayBred™	Pregnancy maintenance	Development	Pre	Pre
BovinePure FSH™	Super bovine ovulation	Development	Pre	Pre
EquiPure LH™	Induce equine ovulation	Development	Initial	Applied
EquiPure FSH™	Super equine ovulation	Development	Pre	Pre
Appendicitis Test	Rule out condition	Development	Pre	Pre
Antigen products	Test kit controls	Production	Recurring	N\A

Single-Chain Gonadotropin Technology Breakthrough — Recombinant LH and FSH:

Luteinizing hormone ("LH") and follicle stimulating hormone ("FSH") are naturally occurring hormones produced by all mammals, human and animal, as a natural part of the reproduction process. For numerous reasons, including health status, age, manipulation efforts to induce reproduction, selective breeding to enhance desired traits, etc., the rate of successful natural reproduction, especially in livestock and food-producing animals has declined significantly in recent decades. In an attempt to overcome this decline, LH and FSH hormones have been harvested, processed and sold as reproduction enhancing drugs for several years. Frequently one species' hormones will even be used in other species to attempt to produce desired results. Natural replacement drugs produced this way are inefficient, as they are harvested from dead animals; they are not highly effective at producing the desired results; and since they are animal derived, they have the potential to transmit diseases such as bovine spongiform encephalopathy (BSE or "Mad Cow Disease").

To date, no commercially successful recombinant, or "man-made" LH or FSH hormone product has been developed and introduced for animals because the heterodimeric complex ("combined alpha and beta sub-units") is unstable causing the alpha and beta units to rapidly separate. To our knowledge this instability and lack of assembly have resulted in production yields that are unacceptable, making commercial products unfeasible. To overcome this, we have exclusively licensed technology for use in animals, successfully developed by Dr. Irving Boime of Washington University (St. Louis, MO). Dr. Boime's work involves the construction and molecular characterization of single-polypeptide-chain-variants of LH and FSH.

During 2004, we entered into an exclusive license agreement for the extensive portfolio of patents and patents pending, developed and enhanced over the last twenty-plus years by Dr. Boime. The patent estate consists of approximately 83 active and inactive patents and patents pending. The term of our license agreement is tied to the life of the last patent to expire, which we expect to be approximately 20 years. The portfolio covers rights to mammalian reproduction using the single-chain technology and the creation of recombinant drugs to enhance conception and pregnancy rates. We acquired this technology to commercialize and provide these products for use in veterinary medicine. We believe that the technologies developed in the patent estate have the potential to be developed into an array of products to enhance fertility in all mammals. The human version of this technology has had an application filed with the FDA and is in clinical testing by a large international pharmaceutical company.

We have entered development agreements Cardinal Health PTS, LLC, by and through its Gala Biotech business unit ("Cardinal Health") which has extensive experience in process development for scale-up and manufacturing of recombinant proteins. We have been working closely with Cardinal Health to develop the commercial scale-up process for manufacturing. We are currently providing research grade material, produced by Cardinal Health, to the market to help offset the cost of process development and field trials. The ultimate goal of this development process is to establish cGMP manufacturing methods required for those products for which we are seeking FDA approval. Currently Cardinal Health does not meet full cGMP requirements. We are in late discussions with other potential manufacturing partners who do meet full cGMP requirements and are capable of large scale manufacturing batches of our recombinant drugs. We expect to have an additional partnership agreement for final cGMP manufacturing sometime during the second quarter of 2006. Delays in finalizing an agreement with a cGMP facility can delay our FDA approval process, but we do not believe such contract changes would affect sales of our single-chain analogs on a reagent basis or for product sales where FDA approval is determined to not be sought.

Our long-term goal is to methodically leverage this "single-chain gonadotropin" technology into numerous generations of products for multiple species. We are attempting to prioritize each potential species application based on what we perceive has the greatest potential worldwide market value and likelihood of successful distribution. Additionally, recent research has also shown promise for a totally new type of highly potent dually active hormone drug constructs containing stable sections of both LH and FSH in the same recombinant single-chain peptide which we also have the rights to commercialize.

Bovine Market Opportunity

We believe that the bovine market, primarily dairy operations, by far represents the largest market opportunity for all of our current animal products.

The success of a modern dairy cow operation is dependent upon a number of critical factors. Several of these factors are outside the control of the dairyman, such as milk prices and costs for feed, nutrients, and medicines. Other factors, however, are within the dairyman's control such as size of the operation (number of head milked), labor costs, and access to high quality bulk feed. The amount of revenue derived from milk sales is a function of the quantity of milk produced and the level of milk fat contained in the milk. These factors correspond directly to the amount of time that a cow is pregnant. The more days during a year that a cow remains not pregnant ("open"), the lower the annual milk production from that cow, hence the lower the revenue received.

The worldwide population of dairy cows exceeds 100 million, of which approximately 58 million cows are located in North America, Europe and the former Soviet Union. According to industry estimates approximately 70% of cows in the North American and European dairy industry are artificially inseminated ("AI"). Although there are no known published reports regarding the number of timed or synchronized cow breedings, we believe, based on discussions with industry sources, that there are an estimated 16 to 20 million artificially inseminated cows in timed breeding programs in the United States, which would represent the primary target market for our bovine products.

Over the last decade, the average number of days per year that a cow remains open has steadily increased from 130 to 175 days, which has had a negative impact on the average milk revenue per head. A significant percentage of dairy cows, when artificially inseminated, do not become pregnant. Approximately 70% of artificially inseminated cows that do become pregnant however, abort or absorb prior to delivery. The rate of success for breeding cows after the first attempt has decreased over the past decade from 50% to less than 35%. On average, 65% to 70% of artificially inseminated cows require a second insemination, and approximately 40% of these cows will require a third attempt before typically being culled from the herd.

Approximately 80% of commercial dairy operations use the traditional way of determining pregnancy which is via palpation, a physical examination by a veterinarian approximately 42 days after breeding. Ultrasound is also used in approximately 20% of the pregnancy determinations in diaries. These open cow test methods currently being used — palpation and ultrasound — cannot determine pregnancy status until between 32 and 42 days after artificial insemination, which is 10 to 20 days after the cow's 21-day estrous cycle is over. Additionally, these methods may be harmful to a pregnant cow or risk aborting the calf.

Several reproduction drug products have been introduced over the last 20 to 30 years that are designed to create more effective breeding programs for artificially inseminated cows. The total cost of artificially inseminating a cow, including the semen, breeder time, and the administration of Gonadorelin (e.g. Cystorelin® "GnRH", sold by Merial) and prostaglandin ("PGF", e.g. Lutalyse®, sold by Pfizer) to promote ovulation is estimated to be in the range of $24 to $34 per head per treatment (excluding labor) before the cost of ultrasound for determining pregnancy status. The majority of this cost is incurred again with each subsequent artificial insemination, averaging at least two treatments per year to achieve successful pregnancy.

Bovine Reproduction Products

Bovine products we currently are developing are SurBred™ (bovine early pregnancy test), StayBred™ (single-chain LH analog for cows) and BoviPure FSH™ (single-chain FSH). These specialized products are designed to create more effective breeding programs for artificially inseminated dairy cows. Pregnancy is necessary for efficient milk production and effective reproduction programs increases milk production per cow and profitability of the dairies, by leaving fewer open ("not pregnant") cows.

SurBred™

SurBred™ is a novel blood test designed to identify open cows 10 to 20 days sooner than methods currently used in dairy cattle throughout the world. The test kit we intend to produce would permit pregnancy status to be determined sooner than the traditional methods, which, in turn, would permit a herd manager to repeat the artificial insemination process at an earlier date for cows tested to be open. Our test does not include any physical manipulation of the cow other than a simple blood sample. Traditional manipulation results in somewhat higher risk to the embryo. Designed to save producers time and money, it can significantly improve the overall reproduction efficiency of dairy herds. This immunoassay-based blood test is not subject to FDA approval regulations.

We entered into licensing agreements with the University of Idaho and the University of Wyoming in fall, 2001, to obtain the exclusive rights to the marker used in the open cow test technology. We have filed two provisional patent applications, as well as a trademark application for "SurBred™," the planned name of the open cow test kit.

In 2003 we entered into a distribution agreement with Merial Limited for the worldwide sales and marketing rights to this test. Merial, a joint venture between Merck and Aventis, is one of the world's leading animal health companies. Based on findings of an expanded field trial during 2003, we concluded that improvements needed to be made to the test before marketing could begin. We have contracted with two recognized industry experts in this field to assist our internal efforts in development of the test. We are currently working on optimizing the test to provide an effective and accurate product. We also continue to characterize the target indicator marker more fully to understand how its temporal expression changes through early pregnancy. We believe we have confirmed that the target marker is highly accurate in determining pregnancy status. Since we were unable to launch the test to date, as previously anticipated in our agreement, Merial may want to renegotiate the agreement. Although technically the agreement has expired, both parties have been working together and conducting themselves as if the agreement were still in effect and are planning on Merial marketing the product once it is fully developed. While we can provide no assurance of success, development efforts are ongoing. Should Merial elect to terminate the agreement, they may request a refund of 50% ($100,000) of the development payment received to date. To date we have worked closely with Merial and they have been supportive of our efforts to resolve the development issues surrounding the pregnancy test.

StayBred™

StayBred™ a complementary technology to the SurBred™ test; is a novel single-chain LH analog for cows. This new hormone analog is believed to induce ovulation and produce a phenomenon that has been shown to reduce the rate of pregnancy loss in cows. Currently, 70% of dairy cows fail to conceive or maintain a viable pregnancy resulting in significant financial and production losses to the dairy StayBred™ LH (luteinizing hormone) analog for cows utilizes our patented "single chain gonadotropin" technology which we believe will offer cost and performance advantages (when manufacturing volumes are achieved) over conventional bovine hormone products available in the worldwide market.

We are on track to complete the initial proof of concept for StayBred™ using a recombinant form of LH during 2006. We also plan to file with the FDA an INADA and begin the registration process as soon as practical after successful large-scale clinical trials are completed using recombinant single chain bovine LH analog. Once the final formulation has been successfully tested and a mass production process has been decided upon, management may begin to market and test the product in the field on a limited basis via veterinary prescription.

We believe this drug may create a totally new pregnancy maintenance market for artificially inseminated dairy cows. It is estimated that there are over 20 million artificial insemination attempts in dairy cows in the United States alone. StayBred™ would be an applicable and beneficial product administered to dairy cows after each artificial insemination as a therapeutic treatment to maintain pregnancy. Based upon an assumed average selling price in the range of $10 to $11 per dose, we believe the total potential US market for StayBred™ could be approximately $200 million. With a modest 20 percent market penetration estimate, this product could generate approximately $40 million in gross revenue annually in the US market alone. We believe there are similar or greater potential markets outside the US. Actual market penetration forecasts would depend on a potential marketing partner's ability (who would share in the revenues) to penetrate the total market. We plan to enter into discussions and negotiations with major pharmaceutical companies who would have an ability to maximize the market for this product. We expect to conduct expanded clinical trials in the near future. As a recombinant hormone drug, this product will be prescribed and marketed by licensed veterinarians; the ultimate customers will be clients operating commercial dairy herds using timed (synchronized) breeding programs.

We anticipate the benefits and value of the StayBred™ product, if able to be successfully launched into the dairy industry are summarized as follows:

1. Percentage of cows maintaining pregnancy may significantly increase by approximately 10 -50%.
2. Saves the additional cost and manipulation to the animal of repeated reproduction treatments.
3. Reduces average days a cow is "open" (un-bred), thereby improving overall milk production, and milk quality and calf production.
4. Anticipated cost per application is easily cost justified to the dairy.
5. The product is easy to administer.
6. Technology is patented.

We believe that over time this product can potentially become our largest selling drug (once FDA approved) with a substantial worldwide market potential provided we are able to produce the product in large quantities at an attractive cost.

BovinePure-FSH™

BovinePure-FSH™ is a novel single-chain FSH analog for cows. It is designed to be used for super-ovulation and embryo transfer in dairy and beef cows throughout the world. This product, currently under development is expected to provide significant benefits including superior product efficacy, purity, consistent bio-activity and potential labor savings for end users, versus conventional “animal-derived” pituitary extract FSH products currently on the market. These benefits are important to users of FSH products currently on the market. Conventional FSH products, all of which are directly harvested from animal origins, have inherent problems with product safety, purity and variability plus require long multiple injection treatments.

In late 2005 we moved this single-chain FSH analog to process development for commercial scale-up and manufacturing for initial possible sales of the product as a reagent. We have produced gram quantities of the product and characterization and preliminary dose and efficacy testing has begun on this product. Barring technical hurdles, we anticipate we will be able to start selling this product as a specially labeled reagent by late 2006. Due to the significant number of product advantages that we expect BoviPure FSH™ to have over conventional FSH extract products we believe the marketplace may pay a premium price per dose for this new compound. This premium price position is supported by the extra benefits and properties we expect BoviPure FSH™ to deliver including high purity, consistent bioactivity plus potentially significant product administration labor savings.

We believe the annual estimated market for this product exceeds $20M. As a recombinant hormone drug, this product will be prescribed and marketed by licensed veterinarians, the ultimate customers will be producer clients operating commercial dairy and beef breeding herds. We would expect to market this drug through a larger partner who would share in such revenues.

Equine Reproduction Products

The equine breeding industry currently lacks any effective method that can precisely control follicular development and ovulation. Extracts containing pituitary derived LH and FSH have been shown to be effective; however, the lack of a reliable commercial product has prevented wide use. Human chorionic gonadotropin (hCG) is also used but horses often develop an immune response to this foreign protein and repeated use can cause it to become ineffective. GnRH-derived products have been shown to be effective in inducing ovulation in the horse. However, the only such approved product for use in the horse, Ovuplant™, has been withdrawn due to non-compliance with specific FDA regulations and has been off the market for the past two years. The equine breeding season, and therefore products sold for use in equine breeding is seasonal, with the breeding season beginning in early spring through mid-summer.

Equine products we currently are developing are EquiPure-LH™ (single-chain LH analog for horses) and EquiPure FSH™ (single-chain FSH analog for horses). These specialized products are designed to create more effective breeding programs for horses. The ability to influence the timing of when mares are ready to breed, improving the success rate of bred mares and increases in the number of eggs produced and harvested for transplant; are all valuable in equine reproduction.

EquiPure LH™

EquiPure LH™ is a novel single-chain LH analog for horses. It is designed to induce ovulation in estrous mares thereby providing better overall breeding management and convenience to breeders. It is anticipated to be our first FDA approved product based upon our late 2005 INADA filing with the FDA. We began gaining revenue from this product in late 2005 by selling it as a specially labeled reagent to licensed veterinarians and expect to continue to sell it until it gains final FDA approval, which is expected by late 2008. This first FDA approval is important for us, as it will pave the way by creating the framework, for the approvals of all future single-chain drugs we submit to FDA. As a recombinant hormone drug, this product will be prescribed and administered by licensed veterinarians; the ultimate customers will be horse owner clients and clients operating breeding farms. Current estimates indicate that the total US equine ovulation market may exceed 700,000 doses consisting of 350,000 mares receiving approximately two doses annually. The total annual US market potential is estimated at approximately $17 to $20 million. We would expect to market this drug through a larger partner who would share in such revenues.

EquiPure FSH™

EquiPure FSH™ is a novel single-chain FSH analog for horses. It is designed to be used for “super-ovulation” and embryo transfer in horses throughout the world. As part of our product development strategy focused on improving animal reproduction, we are in late stage development of this recombinant form of follicle stimulating hormone. We have produced limited quantities of EquiPure FSH™ in our labs for testing purposes and we are now in the process of commercial manufacturing scale-up of this product. This new drug will compete in the market with existing “animal derived” equine FSH products and will offer compelling product safety and efficacy benefits over existing equine FSH drugs sold in the market. This product is anticipated to be a significant advancement in the growing equine embryo transfer market. We expect to begin selling this product as a specially labeled reagent in early 2007. As a recombinant hormone drug, this product will be prescribed and administered by licensed veterinarians; the ultimate customers will be horse owner clients and clients operating breeding farms. We would expect to market this drug through a larger partner who would share in such revenues.

Human Appendicitis Diagnostic Test

Appendicitis is a common acute surgical problem affecting patients of a wide age range. It is estimated that there are approximately 700,000 cases annually in the United States and approximately 6,000,000 patients enter US emergency rooms annually complaining of abdominal pain. An accurate diagnosis at a sufficiently early stage is a significant factor in achieving a successful patient outcome. An accurate and early diagnosis, however, is expensive and difficult because there is considerable overlap of genuine appendicitis with other clinical conditions. Furthermore, to date there appears to be no individual sign, symptom, test, or procedure capable of providing a reliable indication of appendicitis. Misdiagnosis of appendicitis can lead not only to unnecessary surgery but also to delay of proper therapy for the actual underlying condition. A dilemma for surgeons is minimizing the negative appendectomy surgery rate without increasing the incidence of perforation among patients referred for suspected appendicitis.

Techniques currently used by emergency room doctors to diagnose millions of patients complaining of stomach and abdominal pain are expensive, time consuming and can have error rates estimated at between 15% and 40%. Currently no known effective appendicitis diagnostic test is available on the market in the United States or internationally. The only other diagnostic product marketed specifically to detect appendicitis was a radiological drug which was designed to be injected into the body and then have the patient X-rayed, this drug was recently pulled from the US market by the FDA.

Based upon preliminary work we have been performing on the test (patent pending), it shows early promise as an excellent indicator of appendicitis. The project is in an advanced research and development phase as blood and tissue samples are now being harvested and banked. Testing is ongoing to characterize the markers that could be used to assist in the rule out of appendicitis or determine the diagnosis of the condition. Significant additional development and testing over the upcoming months will be required to determine the exact commercial product form that would be brought to market. Prior to any product introduction into the marketplace — assuming successful commercial development can be achieved — significant clinical trials and FDA approval would be required, the successful completion of which cannot be assured. It should be noted that the FDA approval process for a diagnostic test such as this is generally much shorter than for a drug and potentially may be achievable in as little as 12 months.

Our goal is to create a blood-based test designed to quickly and accurately assist in diagnosing or ruling out appendicitis in humans. We have been working for some time in a productive collaboration with Dr. John Bealer, an experienced pediatric surgeon based in Denver, Colorado, to develop and refine this technology by discovering diagnostic markers through genomic and proteomic screening approaches. Dr. Bealer has been the catalyst in the progress we have made in the development of this technology. Our expertise in diagnostic development helped advance this test to the point where we are excited about the possibility of providing a blood test that cost-effectively and accurately assists emergency room personnel quickly diagnose or rule out appendicitis in patients complaining of abdominal pain.

Currently this test is expected to be sold into the human emergency room diagnostic market and be used primarily by emergency room physicians and lab personnel worldwide. If successfully developed, we expect our test to be the only blood based screen or rule out test specifically for appendicitis in the worldwide market. We believe that this test would be marketed under an agreement with a large pharmaceutical company, following successful completion and FDA approval. The potential worldwide market for this product is vast. In the United States alone it is estimated that approximately 6,000,000 patients enter US emergency rooms annually complaining of abdominal pain. As a screening or rule out test we anticipate our appendicitis test, if successfully completed could be used to test a large portion of these patients to aid the physician in his or her efforts to more rapidly determine a diagnosis.

Human diagnostic antigens

The market for human antigens and tumor markers is estimated at approximately $2 million, annually. We believe we currently are the largest supplier in our market, and all of our revenues to date have come from sales of these products. We expect to continue adding products to our diagnostic protein line. Our primary competitor for supply of human pituitary antigens is Dr. Albert Parlow, a professor at UCLA. We do not currently sell our products under contracts. Sales are made generally on open account on a purchase order basis.

The customers for our human antigen products are the manufacturers of the diagnostic test kits and research facilities and brokers who sell to these same end users. Two of our larger customers are brokers, Monobind and Golden West Biologics, which accounted for a total of approximately twelve percent (12%) of our business in 2005. One of our customers, BioRad, accounted for approximately fifty-eight percent (58%) of our business in 2005. In 2004, BioRad accounted for fifty-two percent (52%) of our sales. The loss of BioRad as a customer would have a material adverse effect on this division of our business.

Raw Materials

Our human antigens are purified from human tissue or fluids. We generally have several sources available for the materials needed, some of which are from international sources. At times we run short of certain raw materials. Accordingly, certain of the materials purchased require longer lead times to be received for processing and production. We do not have supply agreements in place for raw material purchases. There are several suppliers for our raw materials and we believe therefore that we will have reasonable access to raw materials. From time to time, depending upon our purchase orders, one raw material supplier may represent a concentration of our purchases.

We have cultured cell lines and recombinant material for both human and animal proteins, which can be used for therapeutic applications, when produced in a GMP facility. Ultimately, we expect that this type of production will replace the need for tissue or fluids as a source material, thereby reducing the chance of contamination from possible impurities.

We have entered into development agreements with an outside contractor, Cardinal Health, for them to determine the most effective methods to produce EquiPure LH™ analog, EquiPure FSH™ analog and BoviPure FSH™. The contractor has determined the best production method to use and produced multiple batches of the recombinant EquiPure LH™ product that we are using for additional field testing and to provide reagent sales. Depending upon among other items, financial constraints, we anticipate entering into additional development agreements with this contractor to assist us in similar product determinations and development for the recombinant form of bovine LH.

Intellectual Property

Under the exclusive license agreement with Washington University (St. Louis, MO), we have obtained the property rights to their patent estate consisting of approximately 83 active and inactive patents and patents pending. The term of the agreement is tied to the life of the last patent to expire, which, given the fact that there are a number of patents pending, we expect to be approximately 20 years. We are currently developing and testing products using the Washington University patents rights in the bovine and equine areas and expect to develop products for a number of other species as well.

With respect to SurBred™ (open cow test), we entered into exclusive licensing agreements with the University of Idaho and the University of Wyoming in fall, 2001, for the manufacture, use, sale and distribution of the marker used in the test. We have titled the open cow “SurBred™” and titled the LH product “StayBred™” and have applied for trademark protection. We have also filed patent applications for the open cow test as well as the bovine LH product, to protect the concept and methods of product use. Further, we have been amending Provisional Patent Applications with clinical and field trial results. We plan to continue and expand the patent protection of our products as opportunities present themselves.

During early 2006 our U.S. and international patent applications entitled “Methods and devices for diagnosis of appendicitis” was published by the United States Patent Office and the International Bureau of the World International Patent Organization and we also recently filed a further separate patent application seeking to expand its worldwide position of intellectual property protection associated with this technology.

We have not filed patents for all of our human diagnostic antigens, although we consider our protein purification process proprietary. This purification expertise, knowledge and processes are kept as trade secrets. We have filed for patent applications on a number of our technologies. As a matter of practice we file patents on technology and developments we believe can be suitably protected in this manner.

General Operations

Backlog and Inventory — Historically, our antigen business has not been seasonal in nature, so we expect demand to remain relatively steady. Some of the products we are working on we expect to be seasonal in nature such as EquiPure LH™ due to the breeding season for horses. Because we produce proteins on demand, we do not maintain a backlog of orders. We believe we have reliable sources of raw materials, do not require significant amounts of raw materials, and can manufacture all of our protein. As a result, we do not expend large amounts of capital to maintain inventory.

Payment terms — Other than to support pre-season product sales or certain new product introductions and then no more than terms of 60 days, we do not provide extended payment terms.

Revenues — The vast majority of our revenues come from domestic customers. Less than 10% of our revenues come from several foreign customers.

Employees — We currently have ten full-time employees, including one scientific contract worker and two part-time employees. We also regularly use part-time student interns and we will hire additional personnel, as needed depending upon the implementation and success of our new product lines.

Research and Development

We spent $850,000 on research and development in fiscal 2005 and $561,000 in fiscal 2004. We expect to spend significantly more over the next few years to develop our new products depending upon available funding, primarily on the recombinant form of bovine and equine proteins and the appendicitis test. We will also continue research and development to improve and add antigens to the open cow test, in order to improve accuracy and thereupon introduce the test.

Compliance

FDA

The Food and Drug Administration ("FDA") has regulatory authority over certain of our planned products. Our existing antigen products require no approvals at our level. We do not supply any of these products as therapeutics. Virtually all of these antigens products are the raw materials used as calibrators and controls within our customers' quality assurance and quality controls departments.

SurBred™ Open Cow Test — Because the open cow test is for diagnostic use only, it will not be subject to FDA regulation. However, we will make a notification filing with the FDA, which advises the FDA of the expected uses and labeling of the product.

BoviPure LH (StayBred™) and FSH Drugs — Our current intention is to file an INADA for these two drugs and seek (Veterinary — CVM) FDA approval. During the development and approval phase management believes the Company will be able to sell these drugs on a limited reagent basis for use under a veterinarian's prescription.

EquiPure LH and FSH Drugs — Our current intention is to file an INADA for these two drugs and seek (Veterinary — CVM) FDA approval. During the development and approval phase management believes the Company will be able to sell these drugs on a limited reagent basis for use under a veterinarian's prescription.

Human Patients — FDA approval is required for therapeutic uses of products. For use on human patients, FDA extensively regulates the testing, manufacturing, labeling, advertising, promotion, export and marketing of therapeutic products. A therapeutic product administered to human patients is regulated as a drug or a biologic drug and requires regulatory approval before it may be commercialized. Prior to any introduction of our Appendicitis rule out diagnostic test into the marketplace — assuming successful commercial development can be achieved — significant clinical trials and FDA approval would be required. It should be noted that the FDA approval process for a diagnostic test such as this is generally much shorter than for a drug and potentially can be achieved in as little as 12 months.

Product approvals are granted after extensive clinical trials. Any product approvals that are granted remain subject to continual FDA review, and newly discovered or developed safety or efficacy data may result in withdrawal of products from marketing. Moreover, if and when such approval is obtained, the manufacture and marketing of such products remain subject to extensive regulatory requirements administered by the FDA and other regulatory bodies, including compliance with current GMP, adverse event reporting requirements and the FDA's general prohibitions against promoting products for unapproved or "off-label" uses. Manufacturers are subject to inspection and market surveillance by the FDA for compliance with these regulatory requirements. Failure to comply with the requirements can, among other things, result in warning letters, product seizures, recalls, fines, injunctions, suspensions or withdrawals of regulatory approvals, operating restrictions and criminal prosecutions. Any such enforcement action could have a material adverse effect on our business. Unanticipated changes in existing regulatory requirements or the adoption of new requirements could also have a material adverse effect on our business.

Environmental Protection

We are subject to various environmental laws pertaining to the disposal of hazardous medical waste. We contract for disposal of our hazardous waste with a licensed disposal facility. We do not expect to incur liabilities related to compliance with environmental laws; however, we cannot make a definitive prediction. The costs we incur in disposal of hazardous waste have not been significant.

Other Laws

We are also subject to other federal, state and local laws, pertaining to matters such as safe working conditions and fire hazard control.

RISK FACTORS

An investment in our common stock involves a high degree of risk. Prospective investors should consider carefully the following factors and other information in this report before deciding to invest in shares of our common stock. If any of the following risks actually occur, our business, financial condition, results of operations and prospects for growth would likely suffer. As a result, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

Our success depends on our ability to develop and commercialize new products.

Our success depends on our ability to successfully develop new products. Although we are engaged in human diagnostic antigen manufacturing operations and all of our revenues are derived from this business, we believe our ability to substantially increase our revenues and generate net income is contingent on successfully developing one or more of our pipeline products. Our ability to develop any of the pipeline products is dependent on a number of factors, including funding availability to complete development efforts, to adequately test and refine products, and to commercialize our products, thereby generating revenues once development efforts prove successful. We have encountered in the past and may again encounter in the future problems in the testing phase for different pipeline products, sometimes resulting in substantial setbacks in the development process. There can be no assurance that we will not encounter similar setbacks with the products in our pipeline, or that funding from outside sources and our revenues will be sufficient to bring any or all of our pipeline products to the point of commercialization. There can be no assurance that the products we are developing will work effectively in the marketplace, nor that we will be able to produce them on an economical basis.

Although we continue to operate under the Distribution Agreement with Merial, the Agreement may be considered as expired.

Our Agreement with Merial Limited ("Merial") for SurBred™15(TM) contemplated a product launch date of October 1, 2003. The sales goals under the Agreement state that the goals will be prorated by calendar quarter since the product launch did not occur by October 1, 2003. We are actively engaged in research and development on this product and, to date, do not have a sufficiently field tested prototype. Consequently, progress payments from Merial have been delayed, and until we reach certain milestones, continued delays in developing a prototype could result in substantial modifications to the Merial Agreement, and/or possibly cancellation. Either party could consider the Agreement expired, but both parties have continued to operate as if it were still in force. The Company is continuing the development of the product and Merial is actively involved in regular discussions and preparation to potentially introduce the product. The inability to successfully develop a prototype and/or cancellation of the Agreement could have a material adverse effect on our business plan and projected growth.

Our success will depend in part on establishing effective strategic partnerships and business relationships.

A key aspect of our business strategy is to establish strategic partnerships. We currently have license arrangements with the University of Idaho, the University of Wyoming and Washington University (St. Louis, MO). It is likely that we will seek other strategic alliances. We also intend to rely heavily on companies with greater capital resources and marketing expertise to market some of our products, such as our agreement with Merial. While we have identified certain possible candidates for other potential products, we may not reach definitive agreements with any of them. Even if we enter into these arrangements, we may not be able to maintain these collaborations or establish new collaborations in the future on acceptable terms. Furthermore, these arrangements may require us to grant certain rights to third parties, including exclusive marketing rights to one or more products, or may have other terms that are burdensome to us, and may involve the issuance of our securities. Our partners may decide to develop alternative technologies either on their own or in collaboration with others. If any of our partners terminate their relationship with us or fail to perform their obligations in a timely manner, or if we fail to perform our obligations in a timely manner, the development or commercialization of our technology in potential products may be affected, delayed or terminated.

We may experience manufacturing problems that limit the growth of our revenue.

We purify human and animal antigens and tumor markers. In 2005, our revenues from these sales were approximately $819,000. We intend to introduce new products with substantially greater revenue potential, including recombinant drugs. We currently are in discussions with potential manufacturing partners who meet full cGMP requirements and are capable of large scale manufacturing batches of our recombinant drugs. Delays in finalizing an agreement with a cGMP facility may delay our FDA approval process and potentially delay sales of such drugs. In addition, we may encounter difficulties in production due to, among other things, the inability to obtain sufficient amounts of raw inventory, quality control, quality assurance and component supply. These difficulties could reduce sales of our products, increase our costs, or cause production delays, all of which could damage our reputation and hurt our financial condition. To the extent that we enter into manufacturing arrangements with third parties, we will depend on them to perform their obligations in a timely manner and in accordance with applicable government regulations.

Our success depends upon our ability to protect our intellectual property rights.

Our success will partially depend on our ability to obtain and enforce patents relating to our technology and to protect our trade secrets. Third parties may challenge, narrow, invalidate or circumvent our patents. The patent position of biotechnology companies is generally highly uncertain, involves complex legal and factual questions and has recently been the subject of much litigation. Neither the U.S. Patent Office nor the courts have a consistent policy regarding breadth of claims allowed or the degree of protection afforded under many biotechnology patents.

In an effort to protect our un-patented proprietary technology, processes and know-how, we require our employees and consultants to execute confidentiality agreements. However, these agreements may not provide us with adequate protection against improper use or disclosure of confidential information. These agreements may be breached, and we may not have adequate remedies for any such breach. In addition, in some situations, these agreements may conflict, or be subject to, the rights of third parties with whom our employees or consultants have previous employment or consulting relationships. Also, others may independently develop substantial proprietary information and techniques or otherwise gain access to our trade secrets. We intend to market our products in many different countries some of which we will not have patents in or applied for. Different countries have different patent rules and we may sell in countries that do not honor patents and in which the risk that our products could be copied and we would not be protected would be greater.

We may be unable to retain key employees or recruit additional qualified personnel.

Because of the specialized scientific nature of our business, we are highly dependent upon qualified scientific, technical, and managerial personnel. There is intense competition for qualified personnel in our business. In addition, in September 2005 we terminated three employees that were key to our antigen business. Although we have replaced these individuals with other qualified personnel, there can be no assurance that we will be able to retain the personnel necessary for the development of our business. A loss of the services of this replacement personnel, or qualified personnel in other areas of our business, as well as the failure to recruit additional key scientific, technical and managerial personnel in a timely manner would harm our development programs and our business.

Our competitors may have greater resources or research and development capabilities than we have, and we may not have the resources necessary to successfully compete with them.

Our business strategy has been to create a niche in the protein purification area, which is from where all of our current revenues are generated. We are aware of only one competitor commercially selling products in this area, Dr. Albert Parlow, a UCLA professor. The biotechnology business is highly competitive, and we may face increasing competition. We expect that many of our competitors will have greater financial and human resources, more experience in research and development, and more established sales, marketing and distribution capabilities than we have. In addition, the healthcare industry is characterized by rapid technological change. New product introductions or other technological advancements could make some or all of our products obsolete.

We do not currently have insurance that covers product liability.

Our insurance policies do not currently cover claims and liability arising out of defective products. As a result, if a claim were brought against us, we would not have any insurance that would apply and would have to pay any costs directly, which we may not have the resources to do. Because our products historically have only been used as part of diagnostic test kits, we did not believe that this insurance would be necessary. However, as we expand into other products, including sales of the recombinant analogs, the risk of claims will increase and we will need to evaluate the need to obtain insurance.

If we fail to obtain FDA approval, we cannot market certain products in the United States.

Therapeutic or diagnostic products to be used by humans must be approved by the FDA prior to marketing and sale. This would also apply to our plan to potentially market an appendicitis test. In order to obtain approval, we must complete specific clinical trials and comply with specific standards; this process can take substantial amounts of time and resources to complete. Even if we complete the trials, FDA approval is not guaranteed. FDA approval can be suspended or revoked, or we could be fined, based on a failure to continue to comply with those standards.

FDA approval is also required prior to marketing and sale for therapeutic products that will be used on animals, and can also require considerable time and resources to complete. New drugs for animals must receive New Animal Drug Application approval. This type of approval would be required for the use of our therapeutic equine and bovine protein products. The requirements for obtaining FDA approval are similar to those for human drugs described above and may require similar clinical testing. Approval is not assured and, once FDA approval is obtained, we would still be subject to fines and suspension or revocation of approval if we fail to comply with ongoing FDA requirements. The Company is considering selling some of its products thru compounding pharmacies, thereby, circumventing for a period of time, the need for FDA approval prior to making sales of product so long as an IANDA has been filed.

If we fail to obtain regulatory approval in foreign jurisdictions, then we cannot market our products in those jurisdictions.

We plan to market some of our products in foreign jurisdictions. Specifically, we expect that the open cow test will be aggressively marketed in foreign jurisdictions. We may market our therapeutic products in foreign jurisdictions, as well. We may need to obtain regulatory approval from the European Union or other jurisdictions to do so and obtaining approval in one jurisdiction does not necessarily guarantee approval in another. We may be required to conduct additional testing or provide additional information, resulting in additional expenses, to obtain necessary approvals

Risks Related to Our Securities

We will require additional capital in the future and we cannot assure you that capital will be available on reasonable terms, if at all, or on terms that would not cause substantial dilution to your stock holdings.

We have historically needed to raise capital to fund our operating losses. We expect to continue to incur operating losses into the 2006 calendar year and possibly longer. If capital requirements vary materially from those currently planned, we may require additional capital sooner than expected. There can be no assurance that such capital will be available in sufficient amounts or on terms acceptable to us, if at all. Any sale of a substantial number of additional shares may cause dilution to your investment and could also cause the market price of our Common Stock to decline.

We do not anticipate paying any dividends in the foreseeable future.

The Company does not intend to declare any dividends in the foreseeable future. Investors who require income from dividends should not purchase our securities.

Our common stock is classified as a "penny stock" under SEC rules and the market price of our common stock is highly unstable.

A limited trading market exists for our common stock on the OTC Bulletin Board. Since inception of trading in January 2003, our common stock has not traded at $5 or more per share. Because our stock is not traded on a stock exchange or on the Nasdaq National Market or the Nasdaq Small Cap Market, if the market price of the common stock is less than $5 per share, the common stock is classified as a "penny stock." SEC Rule 15g-9 under the Exchange Act imposes additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as an "established customer" or an "accredited investor." This includes the requirement that a broker-dealer must make a determination that investments in penny stocks are suitable for the customer and must make special disclosures to the customers concerning the risk of penny stocks. Many broker-dealers decline to participate in penny stock transactions because of the extra requirements imposed on penny stock transactions. Application of the penny stock rules to our common stock reduces the market liquidity of our shares, which in turn affects the ability of holders of our common stock to resell the shares they purchase, and they may not be able to resell at prices at or above the prices they paid. Furthermore, at present there is relatively limited trading in our stock which could cause our price to fall if shares are sold into the market.

We have a large number of outstanding options and warrants, and we may issue additional shares, options and warrants.

As of April 11, 2006, approximately 17,249,000 shares of our common stock and an aggregate of approximately 14,522,000 options and warrants were outstanding. We may issue additional shares upon exercise of warrants or options, or in connection with certain business development or license agreements. We may issue additional shares and warrants in order to raise additional capital on an as-needed basis. The issuance of additional shares, options or warrants may cause dilution of your investment.

We have pending litigation with Roger Hurst, which if decided adversely could affect our business.

In September 2005 we terminated the employment of Roger Hurst as well as the employment of two other employees in the antigen division. Mr. Hurst currently holds approximately 11% of our outstanding common stock and is a significant creditor and guarantor on certain company debt. We filed suit against Hurst, requesting temporary and permanent injunctive relief from breaches of confidentiality and non-compete provisions, breaches of fiduciary duty, violations of Colorado Uniform Trade Secrets Act, conspiracy and intentional interference with the Company's business. Our claims against Hurst have resulted in him making allegations against us regarding repayment of certain indebtedness. While we believe his allegations are unfounded and intend to continue with our claims against him, litigation is unpredictable. An adverse ruling against us could result in us being required to accelerate payments under the outstanding note due him.

Roger Hurst holds a large number of shares of commons stock which, if sold into the market within a short period of time, could adversely affect our trading market and he may be able to significantly influence the outcome of all matters submitted to our shareholders for approval, regardless of the preferences of the minority shareholders.

Because Hurst currently holds approximately 11.0% of our outstanding common stock, if he attempts to sell large blocks of his stock into the market, our stock price may decline significantly. The Company believes that Hurst may be in possession of material inside information and therefore would be prohibited from selling his shares into the market. However, Hurst may take a contrary position and we may not be able to prohibit him from selling shares into the market, thereby causing an adverse effect on our market prices. Additionally, due to his ownership position he may have the ability to control matters affecting us, including the composition of our board of directors, any determinations with respect to mergers, or other business combinations, our acquisition or disposition of assets and our financings. In addition, he may be able to prevent or cause a change in control of the Company and may be able to amend our articles of incorporation and bylaws without the approval of any other shareholder, depending on the number of votes cast on any proposal. His interest may also conflict with the interests of our other shareholders.

ITEM 2. DESCRIPTION OF PROPERTY

We maintain our administrative office, laboratory and production operations in a 40,000 square foot building in Castle Rock, Colorado, which was constructed for us in 2003. We presently do not plan any renovation, improvements, or development of this property, although we are attempting to lease approximately 17,000 square feet of the facility that we currently do not use. That could require us to incur certain tenant improvement expenses.

We own the property subject to a mortgage with an outstanding balance of approximately $3,113,000 at December 31, 2005, payable in monthly installments of approximately $23,700 and bearing interest at an approximate average rate of 6.5%. The Company maintains adequate insurance coverage on the property.

ITEM 3. LEGAL PROCEEDINGS

On September 14, 2005, we filed suit in District Court, Douglas County, State of Colorado against Roger Hurst and two of our former employees. Our claims against Hurst are based upon alleged breaches of confidentiality and non-compete provisions of contracts between us and Hurst. The Complaint, which also seeks temporary and permanent injunctive relief, seeks damages for breaches of fiduciary duty, violations of Colorado Uniform Trade Secrets Act, conspiracy, and intentional interference with the Company's business relationships. On October 4, 2005, Hurst filed an Answer and Counterclaims against us. On February 13, 2006 he filed a motion to amend his counterclaims and add additional parties. We filed a Response requesting that the court deny Hurst's Motion to Amend. The Amended Counterclaims contend, among other things, that we terminated Hurst without cause and have therefore breached an employment agreement with Hurst, and that the individual members of the Board of Directors each conspired with us to breach his employment agreement. We and the individual members of the Board of Directors believe Hurst's position with respect to these Counterclaims, as amended (if the court grants the motion to amend) is unfounded and without merit. Hurst is seeking payment of his annual salary of $100,000 per year, or alternatively his removal as guarantor on certain of our liabilities and immediate repayment of the amounts owed to Hurst under a promissory note, plus other damages to be determined at trial. We intend to vigorously prosecute its claims and defend against Hurst's counterclaims.

On November 29, 2004, a complaint was filed in New York Supreme Court, County of New York, case #603907/04 by Strategic Growth International, Inc. ("SGI") against us. SGI was seeking compensation for amounts allegedly owed under an agreement for investor relations' services between us and SGI. We filed an answer and counter claims against SGI on January 25, 2005. We believe SGI's claims are without merit and that SGI failed to perform as promised under the agreement between us and SGI. SGI is seeking approximately $47,000 in damages. We have filed counter claims seeking approximately $91,000 in damages plus cancellation of 800,000 options issued to SGI that are exercisable to purchase our common stock. To date no actions have been taken regarding this litigation other than responding to requests for the production of documents and the initial depositions in the matter.

We are not a party to any other legal proceedings, the adverse outcome of which would, in our management's opinion, have a material adverse effect on our business, financial condition and results of operations.

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

On November 4, 2005, we held our 2005 Annual Meeting of Shareholders. At the meeting the following directors were elected to serve until the next annual meeting; or until their successors are elected and qualified:

Name	Shares FOR	WITHHOLD Authority To Vote
Richard Donnelly	10,351,646	2,007,938
Douglas I. Hepler	11,897,581	462,533
Gregory Pusey	9,892,377	2,467,207
Gail S. Schoettler	10,351,350	2,008,234
David Welch	11,897,581	462,003

Other Proposals:

Proposal	Shares FOR	Shares AGAINST	ABSTAIN
Amendment to the Company's Articles of Incorporation to Change the Company's Name to "AspenBio Pharma, Inc."	11,899,598	459,631	355
Amendment to the Company's Articles of Incorporation to Increase the Number of Authorized Shares of Common Stock to 60,000,000 from 30,000,000	9,884,810	2,472,923	1,851
Amendment to the Company's Articles of Incorporation to Permit Shareholder Action by Written Consent	7,999,265	2,010,410	460,152
Approval for the Restructuring of the Company by Creating a Holding Company	7,969,525	2,469,108	31,194
Amendment to the Company's 2002 Stock Incentive Plan Increasing the Common Shares Reserved Under the Plan to 3,500,000 from 1,250,000	7,954,802	2,501,292	13,733

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock is traded on the over-the-counter bulletin board system operated by NASDAQ under the symbol "APNB.OB. The following table sets forth, for the periods indicated, the high and low closing prices of our shares, as reported by Prophet.net. These quotations reflect the inter-dealer prices, without retail markup, markdown or commission and may not necessarily represent actual transaction.

Quarter ended	High	Low
March 31, 2005	$0.85	$0.51
June 30, 2005	$0.95	$0.63
September 30, 2005	$0.86	$0.63
December 31, 2005	$1.09	$0.60
March 31, 2004	$1.70	$1.07
June 30, 2004	$1.60	$1.20
September 30, 2004	$1.25	$0.64
December 31, 2004	$0.95	$0.45

As of April 11, 2006 we had approximately 1,100 holders of record (excluding an indeterminable number of shareholders whose shares are held in street or "nominee" name) of our common stock.

During the last two fiscal years we have not paid any dividend on any class of equity securities. We anticipate that for the foreseeable future all earnings will be retained for use in our business and no cash dividends will be paid to stockholders. Any payment of cash dividends in the future on the Common Stock will be dependent upon our financial condition, results of operations, current and anticipated cash requirements, plans for expansion, as well as other factors that the Board of Directors deems relevant.

The closing bid price of our Common Stock on April 11, 2006 was $1.51 per share.

Recent Sales of Unregistered Securities

The following sets forth the equity securities we sold during the period covered by this report, not previously reported on Forms 10-QSB or 8-K, which were not registered under the Securities Act.

During 2005, options for a total of 1,605,000 shares of stock were issued to employees, directors and advisors. The options were subject to vesting requirements, which the Board accelerated to being 100% vested in November 2005. All are exercisable for ten years at various prices ranging from $.60 to $.96 per share. The Company relied on the exemption under section 4(2) of the Securities Act of 1933 (the "Act") for these option issuances. No commission or other remuneration was paid on these issuances.

During the last quarter of 2005, under the 2005 offering agreements, we issued 190,805 additional shares of its common stock to investors in the 2005 offering as additional shares in settlement for our delay in meeting certain registration requirements. The Company relied on the exemption under section 4(2) of the Act for these share issuances. No commission or other remuneration was paid on these issuances.

On December 1, 2005, we engaged a consultant to perform certain financial public relations services. The consultant was granted warrants to purchase up to 90,000 shares of stock, vesting in 15,000 share increments monthly, at a price of $1.00 per share. Subsequent to December 31, 2005, the agreement was extended for up to an additional year, granting up to an additional 180,000 warrants to purchase shares of stock at $1.80, vesting at the rate of 15,000 per month, during the term of the agreement. The warrants have a three year term from the month of issuance. The Company relied on the exemption under section 4(2) of the Act for the warrant issuance. No commission or other remuneration was paid on the warrant issuance.

On December 23, 2005, our President was granted 75,000 shares of common stock valued at $.96 per share and granted 100,000 options. The options are exercisable at $.96 per share and will vest on July 1, 2006, assuming certain sales are achieved. The Company relied on the exemption under section 4(2) of the Act for these share and option issuances. No commission or other remuneration was paid on these issuances.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

RESULTS OF OPERATIONS

Sales for the year ended December 31, 2005 totaled $860,000, which is a $56,000 or 7% increase from the year ended December 31, 2004. Included in this sales figure is $40,000 representing sales of the Recombinant Equine LH (Luteinizing Hormone). Sales vary due to timing of customers' order placement. It is not unusual for the orders from our customers to vary by quarter depending upon the customers' sales and production needs. At December 31, 2005, we had received customer orders totaling approximately $198,000, of which one customer represented 65%. These open orders are not included in the sales for the twelve months ended December 31, 2005, but will be produced and shipped in 2006.

Cost of sales for the year ended December 31, 2005 totaled $509,000, a $33,000 or 6.9% increase as compared to the 2004 period. The change in cost of sales resulted from increased expenses incurred as a result of additional personnel being added and an increase in raw materials. Gross profit percentage increased to 40.9% in the year ended December 31, 2005, as compared to 40.8 % in the 2004 period. The change is attributable to the increased margin on the sale of the Company's newest product the Recombinant Equine LH (Luteinizing Hormone).

Selling, general and administrative expenses in the year ended December 31, 2005, totaled $1,385,000, which is a $272,000 or 24.4% increase as compared to the 2004 period. The increase is primarily attributable to a combination of additional personnel on staff, higher operating expenses in our new facility and costs of contracts and capital raised. Included in this figure is the cost for legal services, which increased $60,000, or 48%, in 2005 primarily due to litigation involving our former President, Roger Hurst. During 2005 operating expenses included $19,000 in amortization expenses relating to a one-year consulting contract which was signed in January 2004 and was fully amortized in January 2005. The corresponding 2004 amortization expense was $426,000.

Research and development expenses in the year ended December 31, 2005 totaled $850,000, which is a $289,000 or 51.5% increase as compared to the 2004 period. The increase is due primarily to an increase in outsourced contract development services. Costs were primarily attributable to current technologies being developed, which include the bovine pregnancy tests as well as equine and bovine pregnancy enhancement products.

Interest expense for the year ended December 31, 2005, decreased to $255,000 or $69,000 less as compared to the $323,000 for the 2004 year. The decrease was primarily due to lower debt levels following the equity offerings that were closed in 2005, providing additional working capital.

No income tax benefit was recorded on the loss for the year ended December 31, 2005, as management of the Company was unable to determine that it was more likely than not that such benefit would be realized. At December 31, 2005, the Company had a net operating loss for income tax purposes of approximately $6,800,000, expiring through 2025.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2005, we had working capital of $1,890,000, and a cash balance of $1,981,000. We reported a net loss of $2,114,000 during the year ended December 31, 2005, which included non-cash depreciation and amortization expense of $250,000 and a charge of $214,000 for common stock and options issued for services. We believe that our current working capital position is sufficient to continue with the technology development activities and support the current level of operations for the near term. We plan to also continue to fulfill the requirements under the global development and distribution agreement signed in March 2003 with Merial, to accomplish the milestones and successful completion of the open cow test to receive additional development payments of up to $1,700,000. The completion of this test has been delayed from the timeline originally agreed to under the distribution agreement and we are attempting to achieve its requirements in the next few months under the agreement. Due to delays in producing a test, we expect the contract to be renegotiated, when and if, the product is successfully completed. We are also focused on generating increased product sales from its base antigen business as well as sales from products currently in late stage development. Now that we have improved working capital balances, we plan to keep adequate inventory on hand to attempt to avoid delays previously experienced in our ability to fill orders for the antigen business.

Capital expenditures, primarily for production, laboratory and facility improvement costs for the fiscal year ending December 31, 2006, are anticipated to total approximately $30,000 to $60,000.

We anticipate that spending for research and development for the fiscal year ending December 31, 2006, will increase appreciably as development of our primary drug products accelerates. The primary expenditures will be to continue to fund development costs in support of the current pipeline products in development as well as to file patents and revise and update previous filings on our technologies. The principal products consist of the open cow test as well as equine and bovine pregnancy enhancement drug products and the appendicitis test. We may also consider acquisitions of development technologies or products, should opportunities arise that we believe fit our business strategy and would be appropriate from a capital standpoint.

We have a permanent mortgage facility on our land and building. The mortgage is held by a commercial bank and includes a portion guaranteed by the U. S. Small Business Administration. The loan is collateralized by the real property and is also personally guaranteed by a stockholder (our former president). The average approximate interest rate is 6.5% and the loan requires monthly payments of approximately $23,700.

We have a 6% note payable to a stockholder (our former president) under a note totaling $706,320, at December 31, 2005. Total monthly payments of $10,000, including interest are being made to him with the then remaining balance due as of June 2008.

Subsequent to December 31, 2005, we have generated cash proceeds of approximately $1,571,000 from the sale of common shares and the exercise of options and warrants. We completed the sale of 1,020,000 common shares generating $1,428,000. No fees were paid for the offering and the purpose of the private placement was to raise funds for working capital, new product development and general corporate purposes. The holders of 138,180 warrants and options also have exercised their holdings to generate cash proceeds of approximately $143,000.

In September 2005 the Company terminated the employment of Roger Hurst as well as the employment of two other employees in the antigen division. Hurst currently holds approximately 11% of our outstanding common stock and is a significant creditor and guarantor on certain of our debt. On September 14, 2005, we filed suit in District Court, Douglas County, State of Colorado against Hurst and the two former employees. Our claims against Hurst are based upon alleged breaches of confidentiality and non-compete provisions of contracts between us and Hurst. The Complaint, which also seeks temporary and permanent injunctive relief, seeks damages for breaches of fiduciary duty, violations of Colorado Uniform Trade Secrets Act, conspiracy, and intentional interference with our business relationships. On October 4, 2005, Hurst filed an Answer and Counterclaims against us. The Counterclaims contend, among other things, that we terminated Hurst without cause and have therefore breached an employment agreement with Hurst. We believe Hurst's position with respect to these Counterclaims is unfounded and without merit. We intend to vigorously prosecute its claims and defend against Hurst's counterclaims. While we believe his allegations are unfounded and intend to continue with our claims against him, litigation is unpredictable. An adverse ruling against us could result in us being required to accelerate payments under the outstanding note due him. As a result of this litigation we also expect out expenses for professional fees to be significantly higher in the upcoming quarters as well.

On October 3, 2005, we entered into an agreement with Cardinal Health PTS, LLC, by and through its Gala Biotech business unit ("Cardinal Health") for the development \ manufacture of initial batches of our EquiPure LH™ product for the FDA approval process. The ultimate goal of this development process is to establish cGMP manufacturing methods required for those products in which we are seeking FDA approval. This means that our contract manufacturing partner requires full cGMP facility validation by FDA. Currently Cardinal Health does not meet full cGMP requirements and our agreement for cGMP manufacture of EquiPure LH has been cancelled. We are in late discussions with other potential manufacturing partners who do meet full cGMP requirements and are capable of large-scale manufacturing batches of our recombinant drugs and can economically manufacture them to hopefully produce materials at an acceptable cost of goods. Current discussions indicate that we can anticipate cGMP manufacturing costs in line with what we were being charged by Cardinal Health from the leading candidate companies we are currently negotiating with. We expect to have a new partnership agreement for final cGMP manufacturing sometime during the second quarter of 2006.

On October 23, 2005, we entered into an agreement with Cardinal Health for the development \ manufacture of initial batches of our BoviPure FSH™ product.

During November 2005 the Board of Directors reviewed the status of certain employee benefits and concluded in light of recent changes that had occurred at the Company and as a means of rewarding individuals for their efforts and accomplishments, it was in the best interests of the Company to accelerate the vesting of the remaining unvested employee and director options to have them be 100% vested as of the November 3, 2005 meeting of the Directors. The accelerated vesting affected options with respect to approximately 411,000 shares of the Company's common stock. Had the option vesting not been accelerated in 2005, the Company would have reported additional noncash expense of approximately $285,000 in 2006, $100,000 in 2007 and $3,000 in 2008.

For at least the first part of 2006, we expect to continue to incur cash losses from operations. While recent increases in revenues will provide limited additional cash flow from such sales margins, additional expenses for contract services in product development will more than offset these amounts. We plan to bridge such cash shortfalls in 2006 include the following:

1. Obtain additional funding.

2. Explore revenue opportunities from licensing, partnering or limited research product sales of one or more of the new drugs under development.

3. Continue to refine and develop the bovine early pregnancy test to achieve the milestones as anticipated to be required under the Merial agreement and reach a "re-start" agreement of the dates with Merial on that agreement, to provide the Company with milestone payments.

4. Depending upon the timing and magnitude of cash flow needs, attempt to reach agreements with key employees and stockholders to defer all or a portion of compensation and loan payments to such parties.

Operating Activities

Net cash consumed by operating activities was $1,610,000 during the year ended December 31, 2005. Cash was consumed by the loss of $2,114,000, less non-cash expenses of $464,000 for stock and options issued for services and depreciation and amortization, including $19,000 associated with the amortization of the consulting agreement signed in January 2004. Higher operating expenses generally accounted for the majority of the loss increase. An increase in accounts receivable of $69,000, net of increases of $181,000 in inventories and a net increase of $34,000 in prepaid expenses and other current assets. Additionally, there was a net increase of $323,000 in accounts payable and accruals.

Net cash consumed by operating activities was $1,372,000 during the year ended December 31, 2004. Cash was consumed by the loss of $2,092,000, less non-cash expenses of $747,000 for stock and options issued for services and depreciation and amortization, including $426,000 associated with the amortization of the consulting agreement signed in January 2004. Higher operating expenses generally accounted for the majority of the loss increase. An increase in accounts receivable of $175,000, net of decreases of $58,000 in inventories and a net increase of $77,000 in accounts payable and accruals during the year also consumed cash.

Investing Activities

Net cash outflows from investing activities consumed $198,000 during the year ended December 31, 2005. The outflow was attributable to purchases of property and equipment and intangibles.

Net cash outflows from investing activities consumed $138,000 during the year ended December 31, 2004. The outflow was primarily attributable to purchases of property and equipment and intangibles.

Financing Activities

Net cash inflows from financing activities generated $3,211,000 during the year ended December 31, 2005. The Company received net proceeds of $3,362,000 from the sale of common stock during 2005. During 2005, the Company repaid $151,000 under its debt agreements.

Net cash inflows from financing activities generated $1,941,000 during the year ended December 31, 2004. The Company received net proceeds of $2,564,000 from the sale of common stock during 2004. During 2004, the Company received $63,000 from the proceeds of debt and repaid $687,000 under its debt agreements.

Critical Accounting Policies

The Company's financial position, results of operations and cash flows are impacted by the accounting policies the Company has adopted. In order to get a full understanding of the Company's financial statements, one must have a clear understanding of the accounting policies employed. A summary of the Company's critical accounting policies follows:

Accounts Receivable: Accounts receivable balances are stated net of allowances for doubtful accounts. The Company records allowances for doubtful accounts when it is probable that the accounts receivable balance will not be collected. When estimating the allowances for doubtful accounts, the Company takes into consideration such factors as its day-to-day knowledge of the financial position of specific clients, the industry and size of its clients. A financial decline of any one of the Company's large clients could have an adverse and material effect on the collectibility of receivables and thus the adequacy of the allowance for doubtful accounts. Increases in the allowance for doubtful accounts are recorded as charges to bad debt expense and are reflected in other operating expenses in the Company's statements of operations. Write-offs of uncollectible accounts are charged against the allowance for doubtful accounts.

Inventories: The Company's inventory is a significant component of current assets and is stated at the lower of cost or market. The Company regularly reviews inventory quantities on hand and records provisions for excess or obsolete inventory based primarily on its estimated forecast of product demand, market conditions, production requirements and technological developments. Significant or unanticipated changes to the Company's forecasts of these items, either adverse or positive, could impact the amount and timing of any additional provisions for excess or obsolete inventory that may be required.

Long-Lived Assets: The Company records property and equipment at cost. Depreciation of the assets is recorded on the straight-line basis over the estimated useful lives of the assets. Dispositions of property and equipment are recorded in the period of disposition and any resulting gains or losses are charged to income or expense when the disposal occurs. The carrying value of the Company's long-lived assets is periodically reviewed to determine that such carrying amounts are not in excess of estimated market value. Goodwill is reviewed annually for impairment by comparing the carrying value to the present value of its expected cash flows or future value. For the years ended December 31, 2005 and 2004, the required annual testing resulted in no impairment charge.

Revenue recognition: The Company's revenues are recognized when products are shipped or delivered to unaffiliated customers. The Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition" provides guidance on the application of generally accepted accounting principles to select revenue recognition issues. The Company has concluded that its revenue recognition policy is appropriate and in accordance with SAB No. 101. Revenue is recognized under development and distribution agreements only after the following criteria are met: (i) there exists adequate evidence of the transactions; (ii) delivery of goods has occurred or services have been rendered; and (iii) the price is not contingent on future activity and collectibility is reasonably assured.

Stock-based compensation: SFAS No. 123, Accounting for Stock-Based Compensation, defines a fair-value-based method of accounting for stock-based employee compensation plans and transactions in which an entity issues its equity instruments to acquire goods or services from non-employees, and encourages but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for employee stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees, and related interpretations. Accordingly, employee compensation cost for stock options is measured as the excess, if any, of the estimated fair value of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock.

Transactions in which the Company issues stock-based compensation for goods or services received from non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is the more reliably measurable. The Company often utilizes pricing models in determining the fair values of options and warrants issued as stock-based compensations to non-employees. These pricing models utilize the market price of the Company's common stock and the exercise price of the option or warrant, as well as time value and volatility factors underlying the positions.

In December 2004, the FASB issued SFAS No. 123 (R) Share-Based Payment, which addresses the accounting for share-based payment transactions. SFAS No. 123(R) eliminates the ability to account for share-based compensation transactions using APB Opinion No. 25, Accounting for Stock Issued to Employees, and generally requires instead that such transactions be accounted and recognized in the statement of income based on their fair value. SFAS No. 123 (R) will be effective for public companies that file as small business issuers as of the first interim or annual reporting period that begins after December 15, 2005. We are evaluating the provisions of this standard, but depending upon the number and terms of options that may be granted in future periods, the implementation of this standard could have a material impact on the Company's financial position and results of operations.

Recently Issued Accounting Pronouncements:

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20, Accounting Changes, and Statement No. 3, Reporting Accounting Changes in Interim Financial Statements ("SFAS 154")* . SFAS 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. Previously, most voluntary changes in accounting principles were required to be recognized by way of a cumulative effect adjustment within net income during the period of the change. SFAS 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005; however, the Statement does not change the transition provisions of any existing accounting pronouncements. The Company does not believe that the adoption of SFAS 154 will have a material effect on its consolidated financial position, results of operations or cash flows.

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R) "Share-Based Payment", which addresses the accounting for share-based payment transactions. SFAS No. 123(R) eliminates the ability to account for share-based compensation transactions using APB 25, and generally requires instead that such transactions be accounted and recognized in the statement of operations based on their fair value. SFAS No. 123(R) will be effective for public companies that file as small business issuers as of the first interim or annual reporting period that begins after December 15, 2005. We continue to evaluate the provisions of the standard and based upon initial computations of options granted to date, we anticipate the non-cash expense in 2006 being recorded under the standard will not be material. Depending upon the number of and terms for options that may be granted in future periods, the implementation of this standard could have a significant non-cash impact on results of operations in future periods.

ITEM 7. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
AspenBio Pharma, Inc.

We have audited the accompanying balance sheet of AspenBio Pharma, Inc. (formerly AspenBio, Inc.), ("the Company") as of December 31, 2005, and the related statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AspenBio Pharma, Inc. as of December 31, 2005, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

GHP HORWATH, P.C.

/s/ GHP Horwath, P.C.

Denver, Colorado
March 15, 2006, except for Note 11 as to which the date is April 10, 2006

AspenBio Pharma, Inc.
Balance Sheet
December 31, 2005

ASSETS	
Current assets:	
Cash	$ 1,980,890
Accounts receivable, net (Note 10)	265,111
Inventories (Note 3)	383,151
Prepaid expenses and other current assets	34,338
Total current assets	2,663,490
Property and equipment, net (Notes 4 and 6)	3,431,678
Other assets:	
Goodwill	387,239
Other intangibles (Note 5)	605,231
Total other assets	992,470
Total assets	$ 7,087,638
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 461,131
Accrued expenses (Note 6)	143,961
Current portion of notes payable:	
Mortgage note (Note 6)	81,165
Related party (Note 6)	79,792
Installment obligation	7,452
Total current liabilities	773,500
Mortgage note payable, less current portion (Note 6)	3,031,528
Note payable, related party (Note 6)	626,528
Installment obligation, less current portion	33,890
Deferred revenue (Note 2)	200,000
Total liabilities	4,665,446
Commitments and contingencies (Note 10)	
Stockholders' equity (Notes 7 and 8):	
Common stock, no par value, 60,000,000 shares authorized; 16,055,318 shares issued and outstanding	9,496,349
Accumulated deficit	(7,074,157)
Total stockholders' equity	2,422,192
Total liabilities and stockholders' equity	$ 7,087,638

See Accompanying Notes to Financial Statements

AspenBio Pharma, Inc.
Statements of Operations
Years ended December 31,

	2005	2004
Sales	$ 859,921	$ 804,101
Cost of sales	508,612	475,676
Gross profit	351,309	328,425
Operating expenses:		
Selling, general and administrative	1,384,858	1,113,142
Amortization of consulting contract	18,542	426,458
Research and development	850,137	561,141
Total operating expenses	2,253,537	2,100,741
Operating loss	(1,902,228)	(1,772,316)
Other income (expense):		
Interest expense	(255,116)	(323,824)
Interest income	43,555	4,564
Total other (expense)	(211,561)	(319,260)
Net loss	$ (2,113,789)	$ (2,091,576)
Basic and diluted loss per share	$ (.15)	$ (.19)
Basic and diluted weighted average shares outstanding	14,388,484	10,935,928

See Accompanying Notes to Financial Statements

AspenBio Pharma, Inc.
Statements of Stockholders' Equity
Years ended December 31, 2005 and 2004

	Common Stock		Accumulated deficit	Total
	Shares	Amount		
Balance, December 31, 2003	10,102,031	$ 2,712,035	$ (2,868,792)	$ (156,757)
Stock options issued for consulting agreement and services	—	500,872	—	500,872
Common stock surrendered upon agreement termination	(5,000)	(5,650)	—	(5,650)
Common stock issued for cash, net of offering expenses of $370,562	3,354,285	2,564,438	—	2,564,438
Common stock contributed by stockholder for equity offering	(1,896,757)	—	—	—
Common stock issued for services and license agreement	158,584	148,000	—	148,000
Net loss for the year	—	—	(2,091,576)	(2,091,576)
Balance, December 31, 2004	11,713,143	5,919,695	(4,960,368)	959,327
Common stock issued for cash, net of offering expenses of $195,590, (including 190,805 shares issued in settlement for delay)	4,256,975	3,362,302	—	3,362,302
Common stock issued for consulting and compensation services	85,200	79,650	—	79,650
Stock options issued for services	—	134,702	—	134,702
Net loss for the year	—	—	(2,113,789)	(2,113,789)
Balance, December 31, 2005	16,055,318	$ 9,496,349	$ (7,074,157)	$ (2,422,192)

See Accompanying Notes to Financial Statements

AspenBio Pharma, Inc.
Statements of Cash Flows
Years ended December 31,

	2005	2004
Cash flows from operating activities		
Net loss	$ (2,113,789)	$ (2,091,576)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization	249,927	673,015
Stock and options issued for services	214,352	73,872
(Increase) decrease in:		
Accounts receivable	(68,655)	(175,107)
Inventories	(180,748)	57,569
Prepaid expenses and other current assets	(34,338)	13,068
Increase (decrease) in:		
Accounts payable	320,600	68,457
Accrued liabilities	2,064	8,434
Net cash used by operating activities	(1,610,587)	(1,372,268)
Cash flows from investing activities		
Purchases of property and equipment	(55,281)	(30,256)
Patent and trademark application costs	(142,386)	(108,185)
Net cash used by investing activities	(197,667)	(138,441)
Cash flows from financing activities		
Proceeds from the issuance of notes payable	—	62,857
Repayment of notes payable	(151,263)	(686,613)
Proceeds from issuance of common stock	3,362,302	2,564,438
Net cash provided by financing activities	3,211,039	1,940,682
Net increase in cash	1,402,785	429,973
Cash at beginning of year	578,105	148,132
Cash at end of year	$ 1,980,890	$ 578,105

Continued

AspenBio Pharma, Inc.
Statements of Cash Flows (Continued)
Years ended December 31,

	2005	2004
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	$ 262,600	$ 294,168
Schedule of non-cash investing and financing transactions:		
Equipment acquired for installment obligation	42,000	—
Common stock issued pursuant to license agreement	—	130,000
Value of 5,000 common shares contributed by stockholder	—	5,650

See Accompanying Notes to Financial Statements

1. Organization and summary of significant accounting policies:

Nature of operations:

AspenBio Pharma, Inc. (the “Company” or “AspenBio Pharma”) was organized on July 24, 2000, as a Colorado corporation. During November 2005, the Company’s name was changed to AspenBio Pharma, Inc., from AspenBio, Inc. AspenBio Pharma is a biotechnology company that operates a base business as a purifier of human and animal antigens, manufacturing approximately 30 products. The current revenue producing products, purified human antigens, are used as standards and controls in diagnostic test kits, antibody purification and in research projects.

The Company’s research and development activities consist primarily of the bovine pregnancy test, equine and bovine pregnancy enhancement drug products and a test being developed to diagnose appendicitis status.

During 2006 the Company expects to continue to incur cash losses from operations. While recent increases in revenues will provide limited additional cash flow from such sales margins, additional expenses from the hiring of our new President \ CEO and expenses for contract services in product development will more than offset these amounts. The Company’s plans to bridge such cash shortfalls in 2006 include the following:

1. Obtain additional funding. (See Note 11 — Subsequent Events, for additional information on funding obtained subsequent to year end.)

2. Explore revenue opportunities from licensing, partnering or limited research product sales of one or more of the new drugs under development.

3. Continue to refine and develop the bovine early pregnancy test to achieve the milestones as anticipated to be required under the Merial agreement and reach a "re-start" agreement of the dates with Merial on that agreement, to provide the Company with milestone payments.

4. Depending upon the timing and magnitude of cash flow needs, attempt to reach agreements with key employees and stockholders to defer all or a portion of compensation and loan payments to such parties.

Revenue recognition and accounts receivable:

The Company recognizes revenue when product is shipped or delivered. The Company extends credit to customers generally without requiring collateral. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses. The Company sells primarily throughout North America.

Revenue is recognized under development and distribution agreements only after the following criteria are met: (i) there exists adequate evidence of the transactions; (ii) delivery of goods has occurred or services have been rendered; and (iii) the price is not contingent on future activity and collectibility is reasonably assured.

Accounts receivable balances are stated net of allowances for doubtful accounts. The Company records allowances for doubtful accounts when it is probable that the accounts receivable balance will not be collected. When estimating the allowances for doubtful accounts, the Company takes into consideration such factors as its day-to-day knowledge of the financial position of specific clients, the industry and size of its clients. A financial decline of any one of the Company's large clients could have an adverse and material effect on the collectibility of receivables and thus the adequacy of the allowance for doubtful accounts. Increases in the allowance for doubtful accounts are recorded as charges to bad debt expense and are reflected in other operating expenses in the Company's statements of operations. Write-offs of uncollectible accounts are charged against the allowance for doubtful accounts. Accounts receivable are stated net of an allowance for doubtful accounts of approximately $1,600 at December 31, 2005.

1. Organization and summary of significant accounting policies (continued):

Inventories:

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method. The elements of cost in inventories include materials, labor and overhead. The Company does not have supply agreements in place for the antigen business raw material purchases. There are several suppliers for our antigen raw material, however in 2005 and 2004 substantially all of our purchases, however, were made from two suppliers. Management believes that its relationships with these two suppliers is strong; however if necessary these relationships can be replaced. If the relationships were to be replaced they may be a short term disruption to operations, a period of time in which products would not be available and additional expenses may be incurred.

Property and equipment:

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the assets, generally twenty-five years for the building, ten years for land improvements and five years for equipment.

Goodwill and other intangible assets:

Goodwill, arising from the initial formation of the Company represents the purchase price paid and liabilities assumed in excess of the fair market value of tangible assets acquired. Under Statement of Financial Accounting Standards “SFAS”) No. 142, Goodwill and Other Intangible Assets goodwill and intangible assets with indefinite useful lives are not amortized. SFAS No. 142 requires that these assets be reviewed for impairment at least annually, or whenever there is an indication of impairment. Intangible assets with finite lives will continue to be amortized over their estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

SFAS No. 142 requires companies to allocate goodwill to identifiable reporting units, which are then tested for impairment using a two-step process detailed in the statement. The first step requires comparing the fair value of each reporting unit with its carrying amount, including goodwill. If the fair value exceeds the carrying amount, goodwill of the reporting unit is considered not impaired, and the second step of the impairment test is not necessary. If the fair value of the reporting unit does not exceed the carrying amount, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. This step requires the allocation of the fair value of the reporting unit to the reporting unit’s assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over its re-evaluated net assets would be the new basis for the reporting unit’s goodwill, and any necessary goodwill write down to this new value would be recognized as an impairment expense.

The Company has one reporting unit. The Company performs a goodwill impairment test in the fourth quarter of each year and determined that there has been no goodwill impairment. A goodwill impairment test will be performed annually in the fourth quarter or upon significant changes in the Company’s business environment.

1. Organization and summary of significant accounting policies (continued):

Impairment of long-lived assets:

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Based on its review, management does not believe that any impairment of long-lived assets exists at December 31, 2005.

Research and development:

Research and development costs are charged to expense as incurred.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ significantly from those estimates.

Fair value of financials instruments:

The fair value of the note payable, related party is not practicable to estimate, due to the related party nature of the underlying transactions. The carrying amounts of the Company's other financial instruments approximate fair value because of their variable interest rates and \ or short maturities.

Much of the information used to determine fair values is highly subjective and judgmental in nature and, therefore the results may not be precise. In addition, estimates of cash flows, risk characteristics, credit quality and interest rates are all subject to change. Since the fair values are estimated as of the balance sheet date, the amounts, which will actually be realized or paid upon settlement or maturity of the various instruments, could be significantly different.

Income taxes:

The Company accounts for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is required to the extent any deferred tax assets may not be realizable.

1. Organization and summary of significant accounting policies (continued):

Stock-based compensation:

SFAS No. 123, Accounting for Stock Based Compensation, defines a fair-value-based method of accounting for stock-based employee compensation plans and transactions in which an entity issues its equity instruments to acquire goods or services from non-employees, and encourages but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for employee stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 ("APB No. 25"), Accounting for Stock Issued to Employees, and related interpretations. Accordingly, employee compensation cost for stock options is measured as the excess, if any, of the estimated fair value of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. The Company has provided pro forma disclosures of net income as if the fair value based method of accounting for stock-based compensation, as prescribed by SFAS No. 123, had been applied. Options issued to non-employees or directors for services are accounted for in accordance with SFAS No. 123. During the fourth quarter of 2005, the Company accelerated the vesting of outstanding options to purchase 411,000 shares of common stock. The exercise price of these options exceeded the estimated fair value of the stock on the date of acceleration and accordingly, under APB No.25, no accounting entry was recorded. Had the option vesting not been accelerated in 2005, the Company would have reported additional noncash expense of approximately $285,000 in 2006, $100,000 in 2007 and $3,000 in 2008.

The Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2005 and 2004, a dividend yield of 0%; risk-free interest rates of 4.4 — 4.82% and 4.4%; an expected life ranging from 5-10 years; and an expected volatility of 121% and 113%, respectively. The following table illustrates the effect on net income (loss) and income (loss) per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation to its stock-based employee plans.

	2005	2004
Net loss, as reported	$ (2,114,000)	$ (2,092,000)
Deduct: Total stock-based employee compensation expense determined under fair value based method for awards granted, modified or settled, net of related tax effects	(1,306,000)	(447,000)
Pro forma net loss	$ (3,420,000)	$ (2,539,000)
Loss per share:		
Basic and diluted - as reported	$ (0.15)	$ (0.19)
Basic and diluted - pro forma	$ (0.24)	$ (0.23)

Income (loss) per share:

Basic earnings (loss) per share includes no dilution and is computed by dividing net earnings (loss) available to stockholders by the weighted number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the Company’s earnings. The effect of the inclusion of the dilutive shares would have resulted in a decrease in loss per share. Accordingly, the weighted average shares outstanding have not been adjusted for dilutive shares.

Comprehensive income:

SFAS No. 130, Reporting Comprehensive Income, requires disclosure of comprehensive income, which includes certain items not reported in the statement of income, including unrealized gains and losses on available-for-sale securities and foreign currency translation adjustments. During the years ended December 31, 2005 and 2004, the Company did not have any components of comprehensive income to report.

1. Organization and summary of significant accounting policies (continued):

Recently issued accounting pronouncements:

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20, Accounting Changes, and Statement No. 3, Reporting Accounting Changes in Interim Financial Statements ("SFAS 154")* . SFAS 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. Previously, most voluntary changes in accounting principles were required to be recognized by way of a cumulative effect adjustment within net income during the period of the change. SFAS 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005; however, the Statement does not change the transition provisions of any existing accounting pronouncements. The Company does not believe that the adoption of SFAS 154 will have a material effect on its consolidated financial position, results of operations or cash flows.

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R) "Share-Based Payment", which addresses the accounting for share-based payment transactions. SFAS No. 123(R) eliminates the ability to account for share-based compensation transactions using APB 25, and generally requires instead that such transactions be accounted and recognized in the statement of operations based on their fair value. SFAS No. 123(R) will be effective for public companies that file as small business issuers as of the first interim or annual reporting period that begins after December 15, 2005. Had the option vesting not been accelerated in 2005, the Company would have reported additional noncash expense of approximately $285,000 in 2006, $100,000 in 2007 and $3,000 in 2008. We continue to evaluate the provisions of the standard and based upon initial computations of options granted to date, we anticipate the non-cash expense in 2006 being recorded under the standard will not be material. Depending upon the number of and terms for options that may be granted in future periods, the implementation of this standard could have a significant non-cash impact on results of operations in future periods.

2. Global Development and Distribution Agreement \ Deferred Revenue

In March 2003, the Company entered into a global development and distribution agreement with Merial Limited ("Merial"). The agreement provides Merial with exclusive rights to market and distribute the Company's new, patent-pending diagnostic blood test. The test is designed to be used approximately 21 days after insemination to determine the early pregnancy status of dairy and beef cattle. Upon execution of the agreement the Company received $200,000, which has been recorded as deferred revenue. During June 2003, AspenBio Pharma determined that the results of its large-scale field trial were not proceeding as anticipated. The results continue to be analyzed and modifications to the test are ongoing. AspenBio Pharma believes improvements to the test need to be achieved. Accordingly, the test was not launched by October 2003 and receipt of the second development payment of $700,000 from Merial also has been delayed. Such payment could be reduced or eliminated if Merial is not satisfied with the test results or the product. Should Merial elect to terminate the agreement, they may also request a refund of 50% ($100,000) of the development payment received to date. Pursuant to the agreement, if the Company terminates the agreement within three years from the launch date, as defined in the agreement, monies paid by the third party must be refunded on a pro-rata basis.

3. Inventories:

Inventories consisted of the following at December 31, 2005:

Finished goods	$	76,005
Goods in process		133,153
Raw materials		173,993
	$	383,151

4. Property and equipment:

Property and equipment consisted of the following at December 31, 2005:

Land and improvements	$	1,107,508
Building		2,589,231
Lab equipment		524,044
Office and computer equipment		82,511
		4,303,294
Less accumulated depreciation		871,616
	$	3,431,678

5. Intangibles and other assets:

Intangible and other assets consisted of the following at December 31, 2005:

Patents and trademarks and applications, net of accumulated amortization of $6,658	$	561,314
Deferred loan costs, net of accumulated amortization of $13,167		43,917
	$	605,231

The Company capitalizes legal costs and filing fees associated with obtaining patents on its new discoveries. Once the patents have been issued, the Company amortizes these costs over the shorter of the legal life of the patent or its estimated economic life using the straight-line method. Loan and deferred consulting costs are being amortized over the term of the related agreements using the straight-line method.

6. Debt Agreements:

Note Payable —Related Party:

During June 2003, the Company's largest stockholder and former president agreed to consolidate the Company's previously outstanding notes payable to him in the aggregate principal amount of $958,651, into one new note with an interest rate of 6% per annum and the maturity date extended to June 2008. Based upon revised agreements entered into in 2004, an advance principal payment of $200,000 was made on the note in August 2004, and thereafter thirty-six monthly payments of $10,000 are being made, with the then remaining balance due June 2008. Principal payments of $80,000 are due in 2006, $74,000 in 2007 and the then remaining balance due in 2008.

During the years ended December 31, 2005 and 2004, interest expense of approximately $42,000 and $58,000, respectively, was incurred on notes payable to the stockholder. At December 31, 2005, accrued interest expense, due to the stockholder was approximately $1,300 and is included with accrued expenses on the accompanying balance sheet.

During April 2004 a stockholder advanced the Company $51,360 under a ninety-day unsecured note, bearing interest at 10%. Proceeds from the note were used for corporate obligations. The note and accrued interest of $1,398, was repaid in July 2004.

Mortgage and installment notes:

The Company has a $3,250,000 permanent mortgage facility on its land and building. The mortgage is held by a commercial bank and includes approximately 39% that is guaranteed by the U. S. Small Business Administration ("SBA"). The loan is collateralized by the real property and is also personally guaranteed by a stockholder of the Company. The interest rate on the bank portion is one percentage over the Wall Street Journal Prime Rate (minimum 7%), with 7% being the effective rate for 2005 and 2004 and the SBA portion bears interest at the rate of 4.42%. The loan requires total monthly payments of approximately $23,700. At December 31, 2005 the outstanding balance under the mortgage totaled $3,112,693. The mortgage requires minimum annual principal payments of approximately $81,200 in 2006, $86,400 in 2007, $91,000 in 2008, $96,700 in 2009, 106,200 in 2010 and $2,651,200 thereafter, through the life of the loan.

Credit Agreement:

The Company had a $150,000 revolving line of credit agreement with a bank that matured on April 30, 2005, which bore interest at the prime rate plus 1% (with an interest rate floor of 6.5%). The line of credit was collateralized by the assets of the Company and guaranteed by former President of the Company. At maturity no balance was outstanding on the line of credit. The Company and the bank mutually agreed not to renew the line of credit.

7. Stockholders' Equity:

During the first quarter of 2004, the Company sold 457,143 shares of common stock at $.875 per share. The investors were also granted warrants to purchase 457,143 shares of common stock at $1.50 per share.

During the first quarter of 2004, a previous consulting agreement was amended whereby the consultant agreed to terminate 50,000 options that the Company had agreed to issue and 5,000 common shares previously issued to the consultant were returned to the Company.

During 2004, the Company issued a total of 158,584 common shares for rights and services. The shares were valued at their fair market value when issued, which totaled $148,000. Included in such issuances were 138,298 shares (plus a cash payment of $60,000) issued to a university, providing the Company with rights to the university's patent rights for specified animal health uses

The Company closed on $2,535,000, ($1,247,500 on July 21, 2004 and $1,287,500 on August 19, 2004) under a Private Placement of unregistered Units (consisting of 20,000 common shares and 20,000 warrants exercisable for three years at $1.50/ share for $17,500 per Unit) through its placement agent. The purpose of the private placement was to raise funds for working capital, new product development and general corporate purposes. As a result of that funding, under an agreement previously entered into with the Company's former president and significant shareholder, the shareholder contributed 1,896,757 common shares he owned of the Company, back to the Company for no consideration, which reduced the outstanding shares by that amount.

The Company entered into a consulting agreement in July 2005 whereby a consultant was granted 10,200 shares of stock at $.75 per share for a total of $ 7,650.

The Company closed on $3,557,892 in 2005 under a Private Placement of unregistered Units (consisting of 4,066,170 shares and a total of 4,465,922 warrants exercisable for five years at $1.35 per share) through its placement agent. The purpose of this was to raise funds for working capital, new product development, and general corporate purposes. During the last quarter of 2005, under the 2005 offering agreements, the Company issued 190,805 shares of its common stock to investors as additional shares in settlement for the Company's delay in meeting certain registration requirements. The additional shares which were issued were made to reflect the estimated difference in fair values to the investors, between registered and unregistered securities. The registration requirements were fully met in October 2005.

On December 23, 2005, 75,000 shares of stock were issued to Richard Donnelly, President, valued at for $0.96 per share as part of his 2005 compensation.

At the Company's Annual Meeting of its shareholders held in November 2005, an amendment to the Company's Articles of Incorporation was approved to increase the number of authorized shares of Common Stock to 60,000,000 from 30,000,000.

8. Stock Options and Warrants:

Stock options:

The Board of Directors of the Company has adopted the 2002 Stock Incentive Plan for the benefit of certain employees and consultants. The Company has reserved a total of 3,500,000 shares, (as amended), of its common stock for issuance pursuant to the exercise of options to be granted. An Option Committee of the Board of Directors administers the Plan. The exercise prices of the options granted are determined by the Option Committee and are established at the estimated fair value of the Company's common stock at the date of grant. The Option Committee determines the term of each option, the number of shares for which each option is granted and the rate at which each option is exercisable. Options are granted with terms not to exceed 10 years. To date all options granted under the Plan, at the dates of the grants, the exercise prices of the options were equal to the estimated fair value of the Company's common stock, therefore, no compensation expense, other than that for options granted to the Company's advisory board, has been recorded for the options granted.

A summary of the status of the Company's stock options as of December 31, 2005 and 2004, and changes during the years then ended, is presented below:

	2005		2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,585,000	$ 1.04	260,000	$ 1.45
Granted	1,615,000	$ .78	1,375,000	$ .96
Forfeited	(315,000)	$ 1.21	(50,000)	$ 1.25
Outstanding, end of year	2,885,000	$ .85	1,585,000	$ 1.04
Options exercisable, end of year	2,498,318	$ .88	170,001	$ 1.32

Prior to the establishment of the 2002 Stock Incentive Plan, on August 1, 2001, the Board of Directors granted stock options to two directors to acquire a total of 200,000 shares for $1 per share. The options were fully vested on December 31, 2001 and expire August 1, 2006.

Included above, in options granted under the Company's 2002 Stock Incentive Plan are 615,000 options (475,000 in 2004 and 140,000 in 2005) granted to the Company's advisory board and outside consultants. Operating expenses for the years ended December 31, 2005 and 2004 include $134,702 and $55,872, respectively, representing the estimated vested value of those options for each year.

Common stock purchase warrants:

Through December 31, 2005, in addition to the stock options discussed above, the Company has issued warrants in connection with debt offerings, loan and guaranty agreements, as well as consulting agreements. Following is a summery of the terms of the warrant agreements that are outstanding as of December 31, 2005:

Type	Notes	Quantity	Exercise price	Issue date	Expire date
Consulting warrants		830,000	$ 1.00	12-28-01	1-1-07
2002 Loan warrants		375,000	$ 1.50	7-5-02	7-5-07
2003 Loan warrants		250,000	$ 1.50	8-1-03	6-1-08
2003 Offering warrants		631,662	$ 1.50	9-30-03	6-1-06
2004 Consulting warrants	(1)	800,000	$ 1.07	1-15-04	1-15-09
2004 Offering warrants		3,933,715	$ 1.50	82,004	7-30-09
2005 Offering warrants		4,465,922	$ 1.35	5-5-05	5-5-10
2005 Consulting warrants	(2)	90,000	$ 1.00	12-1-05	12-1-08

(1) The 2004 consulting warrants are the subject of a dispute as discussed in Note 10.
(2) The 2005 consulting warrants vest at the rate of 15,000 per month over the six-month term of the agreement. The agreement was subsequently extended as discussed in Note 10.

9. Income Taxes:

Income taxes at the federal statutory rate are reconciled to the Company's actual income taxes as follows:

	2005	2004
Federal income tax expense (benefit) at 34%	$ (719,000)	$ (711,000)
State income tax net of federal tax effect	(70,000)	(69,000)
Permanent items	7,000	(3,000)
Valuation allowance	782,000	783,000
	$ —	$ —

As of December 31, 2005 the Company has net operating loss carry forwards of approximately $6,800,000 for federal and state tax purposes, which are available to offset future taxable income, if any, expiring through December 2025. A valuation allowance was recorded at December 31, 2005 due to the uncertainty of realization of deferred tax assets in the future.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2005 are as follows:

Deferred tax assets (liabilities):		
Net operating loss carry forwards	$	2,319,000
Accounts receivable		1,000
Property and equipment		(12,000)
Goodwill		(11,000)
Deferred revenue		68,000
Deferred tax asset		2,365,000
Valuation allowance		(2,365,000)
Net current deferred tax asset	$	—

10. Commitments and Contingencies:

At December 31, 2005, one customer accounted for 63% of total accounts receivable. One customer accounted for 58% and 52% of total net sales for the years ended December 31, 2005 and 2004. A second customer accounted for 18% of total net sales for the year ended December 31, 2004.

Consulting Agreements:

During July 2005 the Company entered into an agreement with a consultant for product development services, for a term of twelve months at the rate of $3,200 per month. The consultant was also granted 10,200 shares of stock of stock at $.75 per share for a total of $ 7,650.

Effective December 1, 2005, the Company entered into an agreement with a consultant to provide financial public relations for the Company for a term of six months at the rate of $5,000 per month. The consultant was granted warrants to purchase 90,000 shares of common stock at $1.00 per share vesting at the rate of 15,000 per month over the six month term of the agreement. In March 2006 the agreement was extended for up to an additional twelve months and granted the consultant warrants for an additional 180,000 shares of common stock at $1.80 per share vesting at 15,000 per month. The warrants expire three years from the date of vesting.

In December 2005, AspenBio Pharma entered into a one year sales agreement with a Colorado based sales organization to promote certain of the Company's veterinary products. The Company agreed to pay the organization a sales commission of 20% of specified sales per month. The sales organization is affiliated with the Company's President. For the month of December 2005, sales commissions payable to the sales organization totaled approximately $8,000.

Development and license agreements:

The Company has entered into three agreements with separate universities, under which the Company obtained exclusive proprietary rights to certain patents, licenses and technology to manufacture, market and sell developed products. Under the agreements, the Company is obligated to make certain minimum annual payments totaling $45,000, plus milestone payments, as defined, based on a percentage of sales of the products. Under one of the agreements entered into in 2004, the Company acquired rights to the university's patent portfolio for use in the animal health industry for a total cost of $190,000, of which $60,000 was paid in cash and $130,000 was paid in Company common shares and the Company agreed to fund $46,550, which has now been paid for consulting and research assistance on one of the Company's products in development.

The Company entered agreements with Cardinal Health PTS, LLC, by and through its Gala Biotech business unit ("Cardinal Health") for the development \ manufacture of initial batches of our recombinant single-chain products. This development and initial manufacturing process will assist in the development methods required for those products in which we are seeking FDA approval. The Company's financial commitment under these agreements requires payments to be made depending upon certain results and associated costs. The range of payment remaining under agreements previously signed totals approximately $300,000. The Company with 30 days notice and without future obligations may terminate the agreements.

Employment agreements:

The Company has entered into an employment agreement with its President requiring minimum annual compensation of $200,000 through 2006.

Contingencies:

On September 14, 2005, the Company filed suit in District Court, Douglas County, State of Colorado against Roger Hurst and two former employees of the Company. The Company's claims against Hurst are based upon alleged breaches of confidentiality and non-compete provisions of contracts between the Company and Hurst. The Complaint, which also seeks temporary and permanent injunctive relief, seeks damages for breaches of fiduciary duty, violations of Colorado Uniform Trade Secrets Act, conspiracy, and intentional interference with the Company's business relationships. On October 4, 2005, Hurst filed an Answer and Counterclaims against the Company. On February 13, 2006 he filed a motion to amend his counterclaims and add additional parties. The Company filed a Response requesting that the court deny Hurst's Motion to Amend. The Amended Counterclaims contend, among other things, that the Company terminated Hurst without cause and has therefore breached an employment agreement with Hurst, and that the individual members of the Board of Directors each conspired with the Company to breach his employment agreement. The Company and the individual members of the Board of Directors believe Hurst's position with respect to these Counterclaims, as amended (if the court grants the motion to amend) is unfounded and without merit. Hurst is seeking payment of his annual salary of $100,000 per year, or alternatively his removal as guarantor on certain of the Company's liabilities and immediate repayment of the amounts owed to Hurst under a promissory note, plus other damages to be determined at trial. The Company intends to vigorously prosecute its claims and defend against Hurst's counterclaims.

On November 29, 2004, a complaint was filed in New York Supreme Court, County of New York, case #603907/04 by Strategic Growth International, Inc. ("SGI") against the Company. SGI was seeking compensation for amounts allegedly owed under an agreement for investor relations' services between SGI and the Company. The Company filed an answer and counter claims against SGI on January 25, 2005. Management believes SGI's claims are without merit and that SGI failed to perform as promised under the agreement between the Company and SGI. SGI is seeking approximately $47,000 in damages. The Company has filed counter claims seeking approximately $91,000 in damages plus cancellation of 800,000 warrants issued to SGI that are exercisable to purchase the Company's common stock. To date no actions have been taken regarding this litigation other than responding to requests for the production of documents and the initial depositions in the matter.

11. Subsequent Events:

Subsequent to December 31, 2005, we received cash proceeds of approximately $1,615,000 from the sale of common shares and the exercise of options and warrants. We completed a private offering sale of 1,020,000 common shares generating $1,428,000. No fees were paid for the offering and the purpose of the private placement was to raise funds for working capital, new product development and general corporate purposes. The holders of 173,780 warrants and options also have exercised their holdings to generate cash proceeds of approximately $187,000.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements between the Company and its independent accountants on any matter of accounting principles or practices, financial statement disclosure.

ITEM 8A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, including the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-14 under the Securities Exchange Act of 1934 as of a date (the "Evaluation Date") within 90 days prior to the filing date of this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in ensuring that all material information relating to us to be filed in the annual report has been made known to them in a timely manner.

(b) Changes in Internal Controls

There have been no significant changes made in our internal controls or in other factors that could significantly affect internal controls subsequent to the Evaluation Date.

PART III

Item 9. Directors and Executive Officers of the Registrant

Executive officers of the Company are elected by the Board of Directors, and serve for a term of one year and until their successors have been elected and qualified or until their earlier resignation or removal by the Board of Directors. There are no family relationships among any of the directors and executive officers of the Company.

The following table sets forth names and ages of all executive officers and directors of the Company:

Name	Age	Position
Richard G. Donnelly	47	President, Chief Executive Officer and Director
Gregory Pusey	54	Chairman, Secretary and Director
Gail S. Schoettler	62	Director
Douglas I. Hepler	59	Director
David E. Welch	59	Director
Jeffrey G. McGonegal	54	Chief Financial Officer

Richard G. Donnelly was elected President, Chief Executive Officer and as a director, in January 2005. From September 1999 to December 2004, Mr. Donnelly served in senior marketing positions with Heska Corporation, including most recently as Senior Director of Marketing. From January 1993 to September 1999, Mr. Donnelly served as Director of Marketing for the Fort Dodge division of Wyeth Inc., (American Home Products). Mr. Donnelly holds a three-year diploma in Animal Science from St. Lawrence College.

Gregory Pusey became a director of AspenBio in February 2002, and Chairman in May 2003. Mr. Pusey is the President of Advanced Nutraceuticals, Inc., a publicly held company engaged in manufacturing and marketing of vitamins and nutritional supplements. Mr. Pusey has been associated with Advanced Nutraceuticals, Inc. and its predecessors since 1997. Since 1988, Mr. Pusey has been the President and a director of Cambridge Holdings, Ltd., a publicly held real estate development firm. Mr. Pusey is also a director of A4S Technologies, Inc., a provider of hardware and software security related products, and has served as President of Livingston Capital, Ltd. since 1987, a venture capital firm. Mr. Pusey holds a B.S. degree in finance from Boston College.

Gail S. Schoettler served as a U.S. Ambassador from 1999 to 2000, Colorado Lt. Governor from 1995 to 1999, and Colorado State Treasurer from 1987 to 1995. She was a trustee of the Public Employees Retirement Association, Colorado's $27 billion pension fund, for eight years. Ambassador Schoettler was a founder and director of two banks and currently helps manage her family's ranching, vineyard and real estate businesses. She speaks internationally on politics and business and writes a column for The Denver Post. She is a trustee of several non-profit organizations and the recipient of the French Chevalier of the Legion of Honor, France's highest civilian award. Ambassador Schoettler is also a director of CancerVax Corporation, former director, until its sale in February 2005 of AirGate PCS, Inc., and is the chairperson of the board of Fischer Imaging Corp. She also serves on the board of Masergy Communications in Dallas, Texas. She earned her BA with honors in economics from Stanford University and her MA and PhD in history from the University of California at Santa Barbara. Ambassador Schoettler became a director of AspenBio in August 2001.

Douglas I. Hepler, Ph.D., joined the Company's Board of Directors in March of 2004. Dr. Hepler is currently Vice President of Research and Development for IDEXX Pharmaceuticals, Inc., a wholly owned subsidiary of IDEXX Laboratories, Inc. Dr. Hepler is responsible for the overall technical leadership of the Pharmaceutical Division of IDEXX Pharmaceuticals, Inc. Dr. Hepler was also the Co-founder and Executive Vice President of Blue Ridge Pharmaceuticals, Inc. before its sale to IDEXX Laboratories, Inc. in 1998. While at Blue Ridge Pharmaceuticals Dr. Hepler was instrumental in the development and FDA registration of Acarexx, Iverhart Plus, PZI Vet, Facilitator, Navigator, Pyrantel and CyFly. Prior to Blue Ridge Pharmaceuticals, Dr. Hepler was instrumental in the development and FDA registration of Interceptor, Program and Sentenial while at Novartis Animal Health. Dr. Hepler received a B.S. degree from Lock Haven University in biology, a M.S. from Colorado State University in microbiology and a Ph.D. from Colorado State University in immunology.

David E. Welch, became a director of AspenBio as of October 1, 2004. Mr. Welch has served as Vice President and Chief Financial Officer of American Millennium Corporation, Inc., a public company located in Golden, Colorado, since April 2004. He also is a self-employed financial consultant. From July 1999 to June 2002 Mr. Welch served as Chief Financial Officer, Secretary and Treasurer of Active Link Communications, Inc., another publicly traded company. During 1998 he served as Chief Information Officer for Language Management International, Inc., a multinational translation firm located in Denver, Colorado. From 1996 to 1997, he was Director of Information Systems for Mircromedex, Inc., an electronic publishing firm, located in Denver, Colorado. Mr. Welch also serves on the Boards of Directors of Advanced Nutraceuticals, Inc., and Communication Intelligence Corporation, both publicly traded companies. He received a B.S. degree in accounting from the University of Colorado. Mr. Welch is a Certified Public Accountant, licensed in the state of Colorado.

Jeffrey G. McGonegal became Chief Financial Officer of the Company in June 2003 and served as interim President in December 2004 and January 2005. Mr. McGonegal also serves as Senior Vice President — Finance of Advanced Nutraceuticals, Inc., a publicly held company engaged in manufacturing and marketing of vitamins and nutritional supplements and Cambridge Holdings, Ltd., a small publicly held real estate company. Since 1997, Mr. McGonegal has served as Managing Director of McGonegal and Co., a company engaged in providing accounting and business consulting services. From 1974 to 1997, Mr. McGonegal was an accountant with BDO Seidman LLP. While at BDO Seidman LLP, Mr. McGonegal served as managing partner of the Denver, Colorado office. Mr. McGonegal was elected in 2005 to serve on the board of Imagenetix, Inc., a publicly held company in the nutritional supplements industry and he is also a member of the board of directors of Applied Medical Devices, Inc. and The Rockies Venture Club, Inc. He received a B.A. degree in accounting from Florida State University.

Meetings of the Board and Committees

The Company's Board of Directors held eighteen meetings during the Company's year ended December 31, 2005, and three additional meetings through April 11, 2006. Such meetings consisted of consent Directors' minutes signed by all Directors and actual meetings at which all of the Directors were present in person or by telephone. The Company does not have a formal policy with regard to board members' attendance at annual meetings, but encourages them to attend shareholder meetings. A minority of our directors then serving attended our last annual meeting of shareholders on November 4, 2005.

There is no arrangement or understanding between any Director and any other person pursuant to which any person was selected as a Director.

Directors of the Company are not paid cash for their services. They do typically receive a stock option upon joining and additional options over time. Greg Pusey receives a salary of $60,000 annually for his active role as Chairman which commenced in September 2003. The directors are reimbursed for all expenses incurred by them in attending board meetings.

Committees

Audit Committee: The Company has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. All of the Company's independent directors serve on the audit committee, which consists of: David Welch (who serves as Chair of the Committee), Douglas Hepler and Gail Schoettler. Mr. Welch has been designated as the financial expert on the audit committee. The Company defines "independent" as that term is defined in Rule 4200(a)(15) of the Nasdaq listing standards.

The audit committee was formed on December 22, 2003, and held four formal meeting during the year ended December 31, 2005. All of the members attended the meeting in person or by telephone. The Board of Directors has adopted a written charter for the audit committee. The audit committee charter is available on our website at www.aspenbioinc.com.

Compensation Committee: All of the Company's independent directors serve on the compensation committee, which consists of: Gail Schoettler (who serves as Chair of the Committee), Douglas Hepler and David Welch. Duties of the compensation committee include reviewing and making recommendations regarding compensation of executive officers. The board of directors adopted our Compensation Committee charter on March 17, 2004.

Nominating and Corporate Governance Committee ("Nominating Committee") : All of the Company's independent directors serve on the Nominating Committee, which consists of: Gail Schoettler (who serves as Chair of the Committee), Douglas Hepler and David Welch. Duties of the Nominating Committee include oversight of the process by which individuals may be nominated to our board of directors. Our Nominating Committee's charter was adopted by the board of directors on March 17, 2004, and is available on our web site at www.aspenbiopharma.com.

The functions performed by the Nominating Committee include identifying potential directors and making recommendations as to the size, functions and composition of the Board and its committees. In making nominations, our Nominating Committee is required to submit candidates who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who shall be most effective, in conjunction with the other Nominees to the board, in collectively serving the long-term interests of the shareholders.

The Nominating Committee considers nominees proposed by our shareholders. To recommend a prospective nominee for the Nominating Committee's consideration, you may submit the candidate's name by delivering notice in writing to AspenBio Pharma, Inc. c/o Nominating Committee Chair, Gail Schoettler, via email at gailschoettler@msn.com or via first class U.S. mail, at AspenBio Pharma, Inc., 1585 S. Perry Street, Castle Rock, CO 80104.

A shareholder nomination submitted to the nomination committee must include at least the following information (and can include such other information the person submitting the recommendation desires to include), and must be submitted to the Company by the date mentioned in the most recent proxy statement under the heading "Proposal From Shareholders" as such date may be amended in cases where the annual meeting has been changed as contemplated in SEC Rule 14a-8(e), Question 5:

The name, address, telephone number, fax number and e-mail address of the person submitting the recommendation; The number of shares and description of the Company voting securities held by the person submitting the nomination and whether such person is holding the shares through a brokerage account (and if so, the name of the broker-dealer) or directly; The name, address, telephone number, fax number and e-mail address of the person being recommended to the nominating committee to stand for election at the next annual meeting (the "proposed nominee") together with information regarding such person's education (including degrees obtained and dates), business experience during the past ten years, professional affiliations during the past ten years, and other relevant information. Information regarding any family relationships of the proposed nominee as required by Item 401(d) of SEC Regulation S-K. (v) Information whether the proposed nominee or the person submitting the recommendation has (within the ten years prior to the recommendation) been involved in legal proceedings of the type described in Item 401(f) of SEC Regulation S-K (and if so, provide the information regarding those legal proceedings required by Item 401(f) of Regulation S-K). Information regarding the share ownership of the proposed nominee required by Item 403 of Regulation S-K. Information regarding certain relationships and related party transactions of the proposed nominee as required by Item 404 of Regulation S-K. The signed consent of the proposed nominee in which he or she consents to being nominated as a director of the Company if selected by the nominating committee, states his or her willingness to serve as a director if elected for compensation not greater than that described in the most recent proxy statement; states whether the proposed nominee is "independent" as defined by Nasdaq Marketplace Rule 4200(a)(15); and d. attests to the accuracy of the information submitted pursuant to this paragraph.

Although the information may be submitted by fax, e-mail, mail, or courier, the nominating committee must receive the proposed nominee's signed consent, in original form, within ten days of making the nomination.

When the information required above has been received, the nominating committee will evaluate the proposed nominee based on the criteria described below, with the principal criteria being the needs of the Company and the qualifications of such proposed nominee to fulfill those needs.

The process for evaluating a director nominee is the same whether a nominee is recommended by a shareholder or by an existing officer or director. The Nominating Committee will:

Establish criteria for selection of potential directors, taking into consideration the following attributes which are desirable for a member of our Board of Directors: leadership; independence; interpersonal skills; financial acumen; business experiences; industry knowledge; and diversity of viewpoints. The Nominating Committee will periodically assess the criteria to ensure it is consistent with best practices and the goals of the Company. Identify individuals who satisfy the criteria for selection to the Board and, after consultation with the Chairman of the Board, make recommendations to the Board on new candidates for Board membership. Receive and evaluate nominations for Board membership which are recommended by existing directors, corporate officers, or shareholders in accordance with policies set by the Nominating Committee and applicable laws.

The Nominating Committee has held one formal meeting and taken action by unanimous written consent two times through April 11, 2006. On June 17, 2005 by unanimous consent the Nominating Committee nominated all five directors then serving on our board of directors to stand for reelection. The Company has not engaged the services of or paid a fee to any third party or parties to identify or evaluate or assist in identifying or evaluating potential nominees.

Compliance with Section 16 (a) of the Exchange Act – Disclosure of Delinquent Filers

In December 2005 Richard Donnelly missed the timely filing of Form 4 reporting for two transactions made during the last business days of December. Those transactions were subsequently reported on a Form 4 in January 2006.

Shareholder Communication with the Board of Directors

The Company values the views of its shareholders (current and future shareholders, employees and others). Accordingly, the Board of Directors established a system through its Audit Committee to receive, track and respond to communications from shareholders addressed to the Company's Board of Directors or to its Non-Management Directors. Any shareholder who wishes to communicate with the Board of Directors or the Non-Management Directors may write to:

David Welch
Chair, Audit Committee
c/o AspenBio Pharma, Inc.
1585 S. Perry Street
Castle Rock, CO 80104
email address: dfwelch@welchconsul.com

The chair of the Audit Committee is the Board Communications Designee. He will review all communications and report on the communications to the chair of the Nominating Committee, the full Board or the Non-Management Directors as appropriate. The Board Communications Designee will take additional action or respond to letters in accordance with instructions from the relevant Board source.

Code of Ethics

On December 22, 2003, the Board of Directors adopted a code of ethics that applies to all of our officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller. Our Code of Ethics establishes standards and guidelines to assist the directors, officers, and employees in complying with both the Company's corporate policies and with the law and is posted at our website www.aspenbioinc.com. Persons desiring a copy of our Code of Ethics will be provided one at no cost upon submitting a written request to the Company.

Item 10. EXECUTIVE COMPENSATION

Compensation and other Benefits of Executive Officers

The following table sets out the compensation received for the fiscal years ended December 31, 2005, 2004 and 2003 in respect to each of the individuals who were the Company's chief executive officer at any time during the last fiscal year and the Company's four most highly compensated executive officers whose total salary and bonus exceeded $100,000 (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

		FISCAL YEAR COMPENSATION			LONG TERM COMPENSATION			
					Awards		Payouts	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation**	**Securities under Option/SARs Granted #**	**Restricted Shares or Restricted Share Units**	**LTIP Payouts ($)**	**All other Compen-sation ($)**
Richard G. Donnelly, Chief Executive Officer and Director [1]	2005	$ 137,500	$ 72,000	0	600,000	0	0	0
	2004	0	0	0	0	0	0	0
	2003	0	0	0	0	0	0	0
Roger D. Hurst, Former -Chief Executive Officer, Secretary and Director [2]	2005	67,436	0	0	0	0	0	0
	2004	88,833	0	0	0	0	0	0
	2003	64,500	0	0	0	0	0	0

(1) In January 2005 Mr. Donnelly joined the Company as President, Chief Executive Officer and was elected to the Company's board. During 2005 he was awarded stock options to acquire 500,000 shares at $0.60 and 100,000 shares at $0.96 per share. During December 2005 the board also granted him 75,000 restricted common shares, valued at that time at $0.96 per share, for a total bonus award of $72,000. During 2005 Mr. Donnelly was also provided temporary living accommodations near the plant at a total cost of approximately $12,200 and coverage under the Company's group medical plan at a total cost of approximately $9,000.

(2) Mr. Hurst resigned as an officer and director in December 2004. In September 2005 the Company's Board of Directors terminated his employment agreement, for cause, as provided in the agreement.

(3) For the months of December 2004 and January 2005, in addition to his duties as Chief Financial Officer, Jeffrey McGonegal also served as President. Mr. McGonegal's annual compensation rate is $60,000.

Agreements with Management

We entered into an employment agreement with Richard G. Donnelly, initially providing annual compensation of $150,000. Mr. Donnelly's compensation was increased to $200,000 per year effective January 2006. The agreement provides for use of their services to the Company for a minimum of one year and automatically renew at the end of each year unless terminated by either party.

Option Grants To Officers

During January 2005, Mr. Donnelly was granted 500,000 stock options, exercisable for ten years at $.60 per share. On December 23, 2005, we issued options to Richard Donnelly to purchase 100,000 shares of stock at $.96 per share 100% vested upon the grant date. These 600,000 options represented 41% of the total options granted to employees in 2005. At the dates of grant, the present values of these options have been estimated to total approximately $375,000. During 2004 none of our named executive officers held any options to purchase our common stock.

Aggregated Option/SAR Exercised in Last Financial Year and Fiscal Year-End Option/SAR Values.

The following table shows option exercises by the named executive officers during the fiscal year ended December 31, 2005 and the number and value of unexercised options at December 31, 2005.

Name	Number of Shares Under-lying Options Exercised (#)	Value Realized $	Number of Unexercised Options At Year End (#) Exercisable/ Unexercised	Value of In-the-Money Options at Year End ($) Exercisable/ Unexercisable [1]
Richard G. Donnelly	—	$ —	600,000 / 0	$204,000 / $0
Roger D. Hurst	—	$ —	0 / 0	$0 / $0

(1) Based on the price of the common stock of $ 1.00 on December 30, 2005 as reported by OTC BB.

Compensation of Directors.

Other than Gregory Pusey, our directors do not currently receive any cash compensation from us for their services as members of the Board of Directors. Mr. Pusey, the Company's active Chairman of the Board is paid $60,000 per year for his services, which commenced September of 2003. In March 2005, we issued options to Greg Pusey to purchase 250,000 shares, Doug Hepler was issued 50,000 options and David Welch was issued 50,000 options, all exercisable at $0.80 per share for a ten year term. Gail Schoettler was issued options to purchase 50,000 shares of our common stock at $0.85 per share in March 2005, and an additional 100,000 options granted in November 2005 exercisable at $0.70, also exercisable for ten year terms. In January 2005, we issued options to Richard Donnelly to purchase 500,000 shares at $.60 per share with a ten-year term. All of the options that had been previously granted to Directors, under the Company's plan were 100% vested in December 2005. On December 23, 2005, we issued options to Richard Donnelly to purchase 100,000 shares of stock at $.96 per share 100% vested upon the grant date.

Benefit Plans.

2002 Stock Incentive Plan

In April 2002, we adopted our 2002 Stock Incentive Plan. The purpose of the plan is to promote our interests and the interests of our shareholders by providing participants a significant stake in our performance and providing an opportunity for the participants to increase their holdings of our common stock. The plan is administered by the Option Committee, which consists of the Board or a committee of the Board, as the Board may from time to time designate, composed of not less than two members of the Board, each of who shall be a director who is not employed by us. The Option Committee has the authority to select employees and consultants (which may include directors) to receive awards, to determine the number of shares of common stock covered by awards and to set the terms and conditions of awards. The plan, as amended authorizes the grant of options to purchase up to 3,500,000 shares of our common stock. We currently have outstanding options to purchase 2,940,000 shares. The options are exercisable at prices ranging from $.61 to $1.50 per share for a term of ten years. In addition to stock options, we may also offer a participant a right to purchase shares of common stock subject to such restrictions and conditions as the Option Committee may determine at the time of grant. Such conditions may include continued services to us or the achievement of specified performance goals or objectives. No common stock has been issued pursuant to the plan. On November 30, 2005 the Company granted 260,000 options to employees. These options were 100% vested and are exercisable at $.70 per share for a ten year term.

Equity Compensation Plan Information

The following table gives information about the Company's common stock that may be issued upon the exercise of options under the 2002 Stock Option Plan as of December 31, 2005.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))	(d) Total of Securities Reflected in Columns (a) and (c)
Equity Compensation Plans Approved by Stockholders	2,940,000	$ .85	560,000	3,500,000
Equity Compensation Plans Not Approved by Stockholders	—	$ .00	—	—
TOTAL	2,940,000	$ .85	560,000	3,500,000

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The number of shares outstanding of the Company's common stock at December 31, 2005 was 16,055,318. The following tables sets forth the beneficial ownership of the Company's Common Stock as of December 31, 2005 by each Director and each Executive Officer of the Company, by all Directors and Executive Officers as a group, and sets forth the number of shares of Common Stock owned by each person who owned of record, or was known to own beneficially, more than 5% of the outstanding shares of Common Stock. To the knowledge of the Directors and Executive Officers of the Company, as of December 31, 2005, there are no persons and/or companies who or which beneficially own, directly or indirectly, shares carrying more than 5% of the voting rights attached to all outstanding shares of the Company, other than as set forth below.

Name and Address	Number of Shares	Percent
Richard G. Donnelly (1) 2838 Garrett Drive Fort Collins, CO 80526	812,967	5.0%
Gregory Pusey (2) 106 S. University, No. 14 Denver, CO 80209	1,676,936	10.1%
Gail S. Schoettler (3) 11855 East Daley Circle Parker, CO 80134	365,000	2.2%
Douglas I. Hepler (4) 815 Cliff Dr. McLeansville, NC 27301	320,000	2.0%
David E. Welch (5) 1585 S. Perry Street Castle Rock, CO 80104	150,000	0.9%
Jeffrey G. McGonegal (6) 1585 S. Perry Street Castle Rock, CO 80104	540,656	3.3%
All Officers and Directors as a Group (6 persons)(10)	3,865,559	23.4%
Talon Opportunity Partners, L. P. One North Franklin, Suite 900 Chicago, IL 60606(7)	4,625,052	16.1%
The Peierls Foundation, Inc. c/o U.S. Trust Company of N.Y. 114 West 47th Street New York, N.Y. 10036(8)	2,771,338	12.5%
Roaring Fork 8400 E. Prentice Suite 745 Greenwood Village, Co. 80111(9)	2.339,338	13.6%
Roger D. Hurst 1749 S. Peakview Drive Castle Rock, CO 80109	2,005,143	12.5%

(1) Include options to acquire 500,000 shares at $.60 per share, warrants to acquire 57,144 shares for $1.35 per share and options for 100,000 shares at $.96 per share. All options issued to Mr. Donnelly are 100% vested at December 31, 2005.

(2) Includes 126,486 shares held by his wife, his wife's IRA account and their children. Mr. Pusey disclaims beneficial ownership of these shares. Also includes the following holdings of Mr. Pusey: (i) 50,413 shares held in Mr. Pusey's IRA account, and (ii) warrants to purchase 438,571 shares held by Cambridge Holdings Ltd. Mr. Pusey is President, a director and principal shareholder of Cambridge. All options are 100% vested.

(3) Includes options to purchase 100,000 shares at $1.00 per share, 100,000 shares at $1.47 per share, 50,000 shares at $.85 per share, and 100,000 shares at $.96 per share, all options are 100% vested.
(4) Includes options to purchase 100,000 shares at $1.50 per share and options to purchase 50,000 shares at $.80 per share, all which are 100% vested. The amount also includes options to purchase 50,000 shares of common stock at $.75 per share each which are held by his wife. Dr. Hepler disclaims any beneficial ownership of these shares and options.
(5) Includes options which are 100% vested to acquire 100,000 shares at $.76 per share and 50,000 shares at $.80 per share.
(6) Includes warrants to purchase 100,000 shares at $1.00 per share, options to purchase 60,000 shares at $1.47, options to acquire 140,000 shares at $1.21 per share, options to purchase 100,000 shares at $.75 per share and options to purchase 50,000 shares at $.80 per share. Also includes warrants to purchase 22.858 shares at $1.35 per share. All options and warrants are 100% vested.
(7) Includes warrants to purchase 1,142,857 shares at $1.50 per share and 1,142,857 shares at $1.35 per share. (Subsequent to December 31, 2005, Talon Opportunity Partners, L. P., disposed of its holdings in the Company.)
(8) Includes warrants to purchase 1,142,857 shares at $1.35 per share.
(9) Includes warrants to purchase 1,142,858 shares at $1.35 per share.
(10) Includes footnotes 1 through 6.

Change of Control

Other than as a result of the exercise a significant portion of the outstanding stock options and warrants, there are no arrangements or agreements which could in the future result in a change of control of the Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On June 12, 2003, we made a consolidated promissory note maturing on June 12, 2008, of all amounts due to Mr. Roger D. Hurst totaling $958,651, at that time. This note, as amended provided for a pre-payment of $200,000 under certain conditions, which were achieved and paid in August 2004. The note is payable in thirty-six monthly payments of $10,000, at which time the then remaining balance will be due.

We had a line of credit of up to $150,000 which expired in April 2005, which was also guaranteed by Mr. Hurst.

In July 2004, Roger Hurst contributed 1,896,757 shares of common stock back to the Company for no consideration pursuant to an agreement executed in April 2004, relating to the Company raising a minimum of $1,000,000 in equity financing, which it achieved.

To accommodate our growth, we purchased land in Castle Rock, Colorado, in 2002 and constructed our new facility which opened in 2003. In order to facilitate the purchase, Mr. Hurst has loaned to us $625,000 and we have made a promissory note to Mr. Hurst in that amount which was payable, with interest at 8% per annum on May 5, 2004. This obligation was consolidated with the June 12, 2003 note.

In December 2005, AspenBio Pharma entered into a one year sales agreement with a Colorado based sales organization to promote certain of the Company’s veterinary products. The Company agreed to pay the organization a sales commission of 20% of specified sales per month. The sales organization is affiliated with the Company’s President. For the month of December 2005, sales commissions payable to the sales organization totaled approximately $8,000.

ITEM 13. EXHIBITS

(a) Exhibits:

EXHIBIT NO.	DESCRIPTION
3.1	Articles of Incorporation filed July 24, 2000 (1)
3.1.1	Articles of Amendment to the Articles of Incorporation filed December 26, 2001 (1)
3.1.2	Articles of Amendment to the Articles of Incorporation filed November 9, 2005 (5)
3.2	Bylaws (1)
4.1(a)	Specimen Certificate of Common Stock (1)
10.7	2002 Stock Incentive Plan (1)
10.8	Technology Transfer Agreement, dated October 29, 2001 between AspenBio and the University of Wyoming (1)
10.9	License Agreement for Determination of Pregnancy Status of Ungulates, dated September 25, 2001, between AspenBio and the Idaho Research Foundation Inc. (1)
10.21	Distribution Agreement between AspenBio, Inc. and Merial Limited, dated March 29, 2003(3)
10.22	Debt Modification Agreement dated June 13, 2003 with FirstBank of Tech Center. (4)
10.23(a)	Loan Agreement between AspenBio, Inc. and Front Range Regional Economic Development Corporation dated June 13, 2003 for $1,300,000 regarding loan for physical plant or capital equipment acquisitions. (4)
10.23(b)	Promissory Note dated June 13, 2003 by AspenBio, Inc. to Front Range Regional Economic Development Corporation in principal amount of $1,300,000. (4)
10.23(c)	Unconditional Guarantee dated June 13, 2003 by AspenBio, Inc. to Front Range Regional Economic Development Corporation in principal amount of $1,300,000. (4)
10.24	Common Stock and Warrant Purchase Agreement dated May 12, 2005. (6)
10.25	Employment Agreement with Richard Donnelly, dated effective February 1, 2005. (7)
31.1	Rule 13a-14(a)/15d-14(a) - Certification of Chief Executive Officer. Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) - Certification of Chief Financial Officer. Filed herewith.
32	Section 1350 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the SARBANES-OXLEY ACT of 2002. Filed herewith.

* Portions of Exhibits 10.8 and 10.21 have been omitted from the publicly filed copy and have been filed separately with the Secretary of the Commission pursuant to requests for confidential treatment.

(1) Incorporated by reference from the registrant's Registration Statement on Form S-1 (file no. 333-86190), filed April 12, 2002.

(2) Incorporated by reference from the registrant's report on Form 8-K/A on January 10, 2003.

(3) Incorporated by reference from the registrant's report on Form 8-K on April 7, 2003.

(4) Incorporated by reference from the registrant's Report on Form 10-KSB/A for the year ended December 31, 2004 (file no. 000-50019), filed March 29, 2004.

(5) Incorporated by reference from the registrant's Report on Form 10-QSB for the quarter ended October 31, 2005, filed November 10, 2005

(6) Incorporated by reference from the registrant's Report on Form 10-QSB for the quarter ended June 30, 2005, filed August 12, 2005.

(7) Incorporated by reference from the registrant's Report on Form 8-K, filed January 24, 2005.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

During the years ended December 31, 2005 and 2004, we retained our principal auditor, GHP Horwath, P. C., to provide services. Aggregate fees were billed or expected to be billed in the following categories and amounts:

	2005	2004
Audit Fees	$ 36,000	$ 35,500
Audit Related Fees	7,435	4,775
Tax Related Fees	0	0
All Other Fees	0	0

Audit related fees in 2005 relate to assistance with the filing of Form SB-2 and Form 8-K and in 2004 relate to assistance with the filing of Form SB-2 and Form 8-K. All of the services described above were approved by the Company's audit committee and prior to performance. The audit committee has determined that the payments made to its independent accountants for these services are compatible with maintaining such auditors' independence.

Pre-Approval Policies and Procedures

The Company's audit committee currently has a policy in place that requires its review and pre-approval of all audit and permissible non-audit services provided by its independent auditors. These services requiring pre-approval by the audit committee may include audit services, audit related services, tax services and other services.

SIGNATURES

In accordance with the requirements of Section 13 on 15(k) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf on April 14, 2006 by the undersigned thereto.

ASPENBIO PHARMA, INC.

/s/ Richard G. Donnelly
Richard G. Donnelly, President,
Chief Executive Officer

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 14, 2006.

/s/ Richard G. Donnelly
Richard G. Donnelly, Chief
Executive Officer and
Director

/s/ Gregory Pusey
Gregory Pusey, Chairman, Secretary
and Director

/s/ Gail S. Schoettler
Gail S. Schoettler, Director

/s/ Douglas I. Hepler
Douglas I. Hepler, Director

/s/ David E. Welch
David E. Welch, Director

/s/ Jeffrey G. McGonegal
Jeffrey G. McGonegal, Chief
Financial Officer

EXHIBIT NO.	DESCRIPTION
3.1	Articles of Incorporation filed July 24, 2000 (1)
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10.25	Employment Agreement with Richard Donnelly, dated effective February 1, 2005. (7)
31.1	Rule 13a-14(a)/15d-14(a) - Certification of Chief Executive Officer. Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) - Certification of Chief Financial Officer. Filed herewith.
32	Section 1350 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the SARBANES-OXLEY ACT of 2002. Filed herewith.

* Portions of Exhibits 10.8 and 10.21 have been omitted from the publicly filed copy and have been filed separately with the Secretary of the Commission pursuant to requests for confidential treatment.

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(7) Incorporated by reference from the registrant's Report on Form 8-K, filed January 24, 2005.

Exhibit 31.1

CERTIFICATION

I, Richard G. Donnelly, Chief Executive Officer certify that:

1. I have reviewed this annual report on Form 10-KSB of AspenBio Pharma, Inc. (the "Registrant");

2. Based on my knowledge, this 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 circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report.

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant [language omitted in accordance with SEC transition instructions contained in SEC Release 34-47986] and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officers and I have disclosed, based on our 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.

Date: April 14, 2006

By: /s/ Richard G. Donnelly
Richard G. Donnelly
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Jeffrey G. McGonegal, Chief Financial Officer certify that:

1. I have reviewed this annual report on Form 10-KSB of AspenBio Pharma, Inc. (the "Registrant");

2. Based on my knowledge, this 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 circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report.

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant [language omitted in accordance with SEC transition instructions contained in SEC Release 34-47986] and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officers and I have disclosed, based on our 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.

Date: April 14, 2006

By: /s/ Jeffrey G. McGonegal
Jeffrey G. McGonegal
Chief Financial Officer

Exhibit 32

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 Annual Report on Form 10-KSB (the "Report") of AspenBio Pharma, Inc. (the "Company") for the year ended December 31, 2005, each of the undersigned Richard G. Donnelly, the Chief Executive Officer of the Company, and Jeffrey G. McGonegal, the Chief Financial 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, to the best of the undersigned's knowledge and belief:

(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.

Dated: April 14, 2006

\s\ Richard G. Donnelly
Richard G. Donnelly,
Chief Executive Officer

Dated: April 14, 2006

\s\ Jeffrey G. McGonegal
Jeffrey G. McGonegal,
Chief Financial Officer

A signed original of the 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.