

FORM 10-QSB

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

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2002

OR

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

Commission file number: 333-86190

ASPENBIO, INC.

(Exact name of registrant as specified in its charter)

Colorado

84-1553387

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

8100 Southpark Way, Bldg B-1 , Littleton, Colorado 80120

(Address of principal executive offices) (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: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 No X

The number of shares outstanding of each of the issuer's classes of common equity as of September 9, 2002, was 9,300,000.

PART I - FINANCIAL INFORMATION

AspenBio, Inc
Balance Sheets

Assets

(Unaudited)
June 30,
2002

Current Assets	
Cash Equivalents	\$ 438,100
Accounts Receivable	83,818
Inventories	425,408
Prepaid Expense	108,902
Prepaid Income Taxes	6,200

Total Current Assets	1,062,428
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Property, Plant and Equipment	
Laboratory equipment	209,002
Construction in progress	156,895
Computer equipment	30,676
Leasehold improvements	27,645
Office equipment	22,205
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Total Cost	446,423
Less Depreciation	(110,577)
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Net Property & Equipment	335,846
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Other Assets	
Intangible assets, Net of Amortization	
Of \$60,712	691,207
Deposit - Security	56,925
Inventory Non Current	32,860
Deferred Offering Costs	135,941
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Total Other Assets	916,933
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Total Assets	\$ 2,315,207
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AspenBio, Inc.
Balance Sheets

Liabilities & Stockholders Equity

	(Unaudited)
	June 30
	2002
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Current Liabilities	
Notes Payable	\$ 35,283
Accounts Payable	37,899
Current Portion Long Term Debt	93,811
Accrued Expenses	1,521
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Total Current Liabilities	168,514
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Long-Term Liabilities, less current	959,010
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Shareholders' Equity	
Common Stock: 15,000,000 Shares	
Authorized; no par;	
9,300,000 shares outstanding	1,517,297
Accumulated Deficit	(330,244)
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Total Shareholders' Equity	1,187,683
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Total Liabilities and	
Shareholders' Equity	\$ 2,315,207
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The accompanying notes are an integral part of the financial statements.

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AspenBio, Inc.
Statement of Operations
(Unaudited)

	Six Months Ended June 30,	
	2002	2001
Sales	\$ 265,879	413,077
Cost of Sales	84,308	135,562
Gross Profit	181,571	277,515
Operating Expenses		
General lab expenses	30,928	152,719
General & Admin	221,536	153,038
Research and Development	213,992	96,212
Depreciation and amortization	23,045	14,396
Total Expenses	489,501	416,365
(Loss) from Operations	(307,930)	(138,850)
Interest expense	21,534	30,955
(Loss) before Income Taxes	(329,464)	(169,805)
Income Taxes	(10,267)	--
Net Loss	<u>\$(319,197)</u>	<u>\$(169,805)</u>
Gain (Loss) Per Share of Common Stock		
Weighted average 9,102,778 Shares		
at 06/30/02 and 7,773,519		
at 06/30/01)	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>

The accompanying notes are an integral part of the financial statements

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AspenBio, Inc.
Statement of Operations
(Unaudited)

	Three Months Ended June 30,	
	2002	2001
Sales	\$ 156,209	178,571
Cost of Sales	61,852	81,855
Gross Profit	94,357	96,716
Operating Expenses		
General lab expenses	7,250	96,820
General & Admin	146,942	(45,580)
Research and Development	75,446	53,642
Depreciation and amortization	11,581	(1,276)
Total Expenses	241,219	103,606
(Loss) from Operations	(146,862)	(6,890)
Interest expense	7,469	11,443

(Loss) before Income Taxes	(154,331)	(18,333)
Income Taxes	733	--
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Net Loss	<u>\$(155,064)</u>	<u>\$ (18,333)</u>
Gain (Loss) Per Share of Common Stock		
Weighted average 9,102,778 Shares		
at 06/30/02 and 7,773,519		
at 06/30/01)	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>

The accompanying notes are an integral part of the financial statements.

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AspenBio, Inc.
Statements of Cash Flows
Six Months Ending 06/30/02 and 01

	(Unaudited) June 30, 2002	(Unaudited) June 30, 2001
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Cash Flows from Operating Activities		
Net Income (Loss)	\$(319,197)	\$(169,805)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation & Amortization	23,067	21,614
Stock issued for compensation	--	137,055
Changes in Assets & Liabilities:		
Decrease (increase) in-		
Accounts Receivable	147,611	(2,462)
Inventories	(67,034)	42,912
Prepaid Expenses	(6,201)	
Deposits	(50,000)	(5,000)
(Decrease) increase in-		
Accounts Payable	(16)	(78,720)
Accrued Expenses	(2,493)	1,998
Income Taxes Payable	(11,000)	
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Net Cash Provided (Used) by Operating Activities	(285,263)	(52,408)
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Cash Flows From Investing Activities		
Purchase of Property and Equipment	(156,895)	
Purchase of Intangible Assets	(71,242)	(15,713)
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Net Cash Used by Investing Activities	(228,137)	(15,713)
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Cash Flows from Financing Activities		
Sales of common stock	300,000	15,458
Dividends	(48,999)	
Debt Reduction	(33,663)	(32,405)
Proceeds from debt	446,338	
Deferred Offering Costs	(135,941)	
	-----	-----
Net Cash from Financing Activities	527,735	(16,947)
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Net Increase (Decrease) in Cash	14,335	(85,068)
Cash, Beginning	423,765	107,590
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Cash, Ending	<u>\$ 438,100</u>	<u>\$ 22,522</u>

Supplemental disclosures of cash flow information

Cash paid during the year for:		
Interest	<u>\$ 21,534</u>	<u>\$ 30,954</u>

The accompanying notes are an integral part of the financial statements.

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AspenBio, Inc.
Notes to the Financial Statements
June 30, 2002 (Unaudited)

Basis of Presentation

The information for the six months ended June 30, 2002 has not been audited by independent accounts, but includes all adjustments which the Company considers necessary for a fair presentation of the information presented for the period.

Note #1 UNAUDITED FINANCIAL INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. The Company believes, however, that it has made all adjustments necessary to reflect properly the results of operations for the six month interim period ended June 30, 2002 and 2001. The adjustments consists only of normal reoccurring accruals. The results of operations for the six month period ended June 30, 2002 are not necessarily indicative of the results to be expected for the year ended December 31, 2002.

Note #2 FINANCIAL STATEMENTS

Management has elected to omit substantially all footnotes relating to the condensed financial statements of the Company included in the report.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

At quarter end June 30, 2002, the Company had working capital of \$893,914, consisting of current assets of \$1,062,428 and current liabilities of \$168,514. This represents an increase in working capital of \$665,901 from June 30, 2001. During the second quarter ended June 30, 2002, the Company's operations used, rather than provided cash. During that time, the Company's operations used \$285,263 compared to cash used by operations of \$52,408 during the second quarter ended June 30, 2001. Management believes the decrease in cash flow is primarily attributable to two factors: (i) expenses associated with becoming a public company and (ii) expenses associated with the development of a bovine pregnancy test.

During 2002-2003 the Company's cash requirements are anticipated to consist of payments under existing debt obligations, including the construction loan agreement entered into on July 5, 2002 for the new facility. The construction loan is due on July 5, 2003 and, based on management's discussions with the lender, the Company expects to be able to convert the construction loan to a permanent loan upon occupancy of the building. Interest will accrue on the construction loan at approximately 6% per annum and is payable monthly. At September 30, 2002, the Company had borrowed \$828,934 from the bank with \$2,421,066 available for future borrowings.

In order to facilitate the purchase of the land and construction of the new facility, the Company's President, Roger Hurst, has loaned to the Company \$625,000 and the Company made a promissory note to Mr. Hurst in that amount which is payable, with interest at 8% per annum on May 5, 2004. The Company may prepay the Note at any time without penalty. The Company also has a \$50,000 line of credit with a bank, of which \$35,262 was outstanding at September 30, 2002.

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The Company also borrowed \$500,000 from a shareholder, of which \$150,000 may be used by the Company for general corporate purposes. The balance of \$350,000 has been placed in an account and pledged to, the bank which is the Company's construction lender. The Company made a convertible promissory note to, the shareholder for \$500,000, plus interest at 6% payable on March 31, 2003 and issued to him warrants to purchase up to 275,000 shares of the Company's common stock. The Company's construction lender also required a guarantee of \$200,000 of the construction loan which the Company obtained from another shareholder, Cambridge Holdings, Ltd. The Company issued Cambridge warrants to

purchase up to 100,000 shares of the Company's common stock in exchange for the guaranty and made a promissory note to cover any funds used by Cambridge in connection with the guaranty.

In connection with an equipment lease, the Company issued a note payable to Colorado Business Leasing, of which \$151,000 was outstanding at March 31, 2002. The note is payable with interest at 11% per annum, in monthly installments of \$9,053, and matures on October 1, 2003.

Results of Operations

During the second quarter ended June 30, 2002, the Company realized a net loss of \$155,064 on total revenues of \$156,209. The net loss is an increase of \$136,731 from the net loss for the second quarter 2001. The decrease in revenue is attributable to lower sales and increased research and development expenses.

Gross profit from sales of the Company's product decreased from the second quarter of 2002, \$96,716 for the quarter ended June 30, 2001 to \$94,357 for the quarter ended June 30, 2002. The greatest increase in operating expenses was research and development, which increased from \$90,103 in the second quarter of 2001 to \$213,992 in the second quarter of 2002. This increase is attributable to development of the Company's new bovine pregnancy test.

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SIGNATURES

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 September 30, 2002.

AspenBio, Inc.
(Company)

By: /s/ Roger Hurst

Roger Hurst, President,
Chief Executive Officer
Chief Financial Officer
Chief Accounting Officer

CERTIFICATION

I, Roger D. Hurst, Chief Executive Officer and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of AspenBio, Inc.
2. Based on my knowledge, this quarterly 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 quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

Date: September 30, 2002 By: /s/ Roger D. Hurst

Roger D. Hurst, Chief Executive Officer
and Chief Financial Officer

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