FORM 10QSB/A

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d) [amend]

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FILER

VIRAL GENETICS INC /DE/

CIK:**1091326**| IRS No.: **330814123** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **2834** Pharmaceutical preparations

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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB/A

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

For the quarterly period ended March 31, 2006

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

For the transition period from ______ to ______

Commission File No. 000-26875

VIRAL GENETICS, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	**33-0814123**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

1321 Mountain View Circle, Azusa, CA 91702
(Address of principal executive offices)

(626) 334-5310
(Issuer' s telephone number)

Not Applicable
(Former name, address and fiscal year, if changed since last report)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer' s classes of common equity: As of March 31, 2006 there were 102,167,624 shares of common stock outstanding.

Transitional Small Business Format: Yes ☐ No ☒

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

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VIRAL GENETICS, INC.

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VIRAL GENETICS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEETS

	March 31, 2006 (Unaudited) (Restated)	December 31, 2005 (Restated)
ASSETS		
CURRENT ASSETS		
Cash	$982,200	$180,198
Total Current Assets	982,200	180,198
PROPERTY AND EQUIPMENT, NET	1,039,120	960,761
OTHER ASSETS		
Deposits	42,940	43,940
TOTAL ASSETS	$2,064,260	$1,184,899
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$242,773	$829,201
Accrued wages payable	140,500	140,500
Accrued interest	31,575	48,724

Total Current Liabilities	414,848	1,018,425
LONG-TERM LIABILITIES		
Convertible notes payable, related parties	1,505,802	2,080,753
Convertible notes payable	3,648,451	516,800
Total Long-term Liabilities	5,154,253	2,597,553
TOTAL LIABILITIES	5,569,101	3,615,978
COMMITMENTS AND CONTINGENCIES	–	–
REDEEMABLE COMMON STOCK	57,849	–
STOCKHOLDERS' EQUITY		
Preferred stock, 20,000,000 shares authorized, $0.0001 par value; no shares issued and outstanding	–	–
Common stock, 250,000,000 shares authorized, $0.0001 par value; 102,167,624 and 98,284,709 issued and outstanding, respectively	10,217	9,828
Additional paid-in capital	34,172,719	31,109,178
Common stock warrants	6,831,130	3,564,483
Common stock options	4,898,565	4,330,500
Deficit accumulated during development stage	(49,475,321)	(41,445,068)
Total Stockholders' Equity	(3,562,690)	(2,431,079)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,064,260	$1,184,899

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

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VIRAL GENETICS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2006 (Unaudited) (Restated)	Three Months Ended March 31, 2005 (Unaudited)	From July 11, 1995 (Inception) to March 31, 2006 (Unaudited)
REVENUES	$–	$–	$347,750
EXPENSES			
Research and development	1,070,102	158,064	13,414,370
Laboratory fees	–	–	295,690
Management salaries	256,000	37,500	3,363,572
Amortization and depreciation expense	22,319	15,845	312,255
Legal and professional	50,568	80,362	888,387
Consulting fees	1,551,507	541,572	10,888,296
General and administrative expenses	336,058	315,380	3,614,262
Total Expenses	3,286,554	1,148,723	32,776,832
LOSS FROM OPERATIONS	(3,286,554)	(1,148,723)	(32,429,082)
OTHER INCOME (EXPENSE)			

Sale of distribution rights	–	–	1,309,966
Interest income	–	2,396	4,547
Interest expense	(4,743,699)	(37,057)	(18,360,752)
Total Other Income (Expense)	(4,743,699)	(34,661)	(17,046,239)
LOSS BEFORE INCOME TAXES	(8,030,253)	(1,183,384)	(49,475,321)
INCOME TAXES	–	–	–
NET LOSS	$(8,030,253)	$(1,183,384)	$(49,475,321)
NET LOSS FROM OPERATIONS PER COMMON SHARE, BASIC AND DILUTED	$(0.08)	$(0.01)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	99,609,383	90,426,979	

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

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Viral Genetics, Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2006 (unaudited) (Restated)	Three Months Ended March 31, 2005 (unaudited)	From July 11, 1995 (Inception) to March 31, 2006 (unaudited)
Cash Flow from Operating Activities			
Net Loss	(8,030,253)	(1,183,384)	(49,475,321)
Depreciation and amortization	22,319	15,845	312,255
Beneficial conversion feature of convertible debt	4,340,149	–	14,482,056
Non-cash operating expenses	–	–	5,387,663
Non-cash income	–	–	(309,966)
Issuance of common stock for services	1,011,991	118,000	4,740,501
Issuance of common stock for finders fee	–	–	450,000
Options and warrants issued for services	844,192	406,756	8,588,742
Options and warrants issued for wages	7,371	–	7,371
Options exercised for services	–	–	2,500
Warrants exercised for services	–	–	12,500

Issuance of common stock for expenses paid by third party	–	–	593,947
Issuance of common stock for settlement agreement	–	–	835,000
Issuance of stock for interest	–	–	1,256,135
Redeemable stock issued for services	57,849	–	57,849
Convertible debt issued for services	50,000	–	50,000
Notes payable issued for expenses	–	–	907,349
Expenses paid with notes payable	–	–	(10,043)
Notes payable converted to accrued wages	–	–	(25,000)
(Increase) decrease in deposits and other assets	1,000	–	(42,940)
Increase (decrease) in accrued interest	4,502	(119,155)	13,159
Increase (decrease) in accounts payable	(412,583)	27,711	416,617
Increase (decrease) in accrued wages payable	–	65,000	140,500
Net Cash Used in Operations	(2,103,463)	(669,227)	(11,609,126)
Cash Flows from Investing Activities			
Increase in leasehold improvements	(100,678)	–	(1,039,305)
Acquisition of equipment	–	(423)	(352,471)
Increase in patent		–	(5,206,051)

Net Cash Used in Investing Activities	(100,678)	(423)	(6,597,827)
Cash Flows from Financing Activities			
Proceeds from notes payable - related parties	23,500	–	9,379,671
Proceeds from convertible debentures	2,461,549	–	1,933,369
Proceeds from exercise of options and warrants	3,956	4,896	76,311
Proceeds from the sale of common stock	517,138	–	7,799,802
Net Cash Provided by Financing Activities	3,006,143	4,896	19,189,153
Change in cash	802,002	(664,754)	982,200
Cash and cash equivalents, beginning of period	180,198	1,402,169	–
Cash and cash equivalents, end of period	982,200	737,415	982,200
Supplemental Cash Flow Disclosures:			
Interest expense paid	34,885	25,881	180,738
Income taxes paid		–	
Non-Cash Transactions:			
Issuance of common stock for services	1,011,991	118,000	4,740,501
Issuance of common stock for settlement agreement	–	–	835,000
Issuance of common stock for accounts payable	173,845	–	173,845

Options and warrants issued for services	786,361	406,756	8,530,911
Options and warrants exercised for services	–	–	682,814
Non-cash operating expenses	–	–	144,901
Issuance of commons stock for debt paid by third party	–	–	593,947
Issuance of common stock for debt and interest	–	–	8,255,471
Notes payable issued for services	–	–	147,155
Notes payable issued for expenses	–	–	10,043
Notes payable issued for accrued wages	–	–	25,000
Issuance of common stock for finders fee	–	–	450,000
Warrants issued with convertible debentures	2,511,549	–	3,027,549

VIRAL GENETICS, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2006

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Viral Genetics Inc. ("the Company") was incorporated in California on July 11, 1995 and is in the development stage. The Company is engaged in the research and development of protein-based therapeutic and diagnostic products with applications in infectious disease, autoimmune conditions, and immunological deficiency. The Company was acquired by a Delaware corporation and reporting issuer on October 1, 2001. The Company' s year-end is December 31.

Viral Genetics, Inc. owns 100% of a Chinese subsidiary called Viral Genetics Beijing, Ltd. which was organized for prospective operations in China. At this time, the office in China has a president and two full-time employees working on regulatory related activity seeking registration for the Company' s HIV/AIDS product. There is no financial activity in this office other than monthly stipends sent from the U.S. company to cover certain expenses, which are included in the reported operating expenses of Viral Genetics, Inc. The Company established a subsidiary in South Africa in 2003 which has been subsequently sold in May 2004. See Note 5.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company' s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Accounting Methods

The Company' s financial statements are prepared using the accrual method of accounting, which conforms to accounting principles generally accepted in the United States of America.

Accounting for Stock Options and Warrants Granted to Employees and Non-employees

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (hereinafter "SFAS No. 123"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Compensated Absences

The Company' s policy is to recognize the cost of compensated absences when actually paid to employees. If the amount were estimatable, it would not be currently recognized as the amount would be deemed immaterial.

Consolidated Financial Statements

The accompanying financial statements include those of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

VIRAL GENETICS, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2006

Derivative Instruments

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities” (hereinafter “SFAS No. 149”). SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 is not expected to have a material impact on the financial position or results of operations of the Company.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (“SFAS No. 133”), “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 137, “Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133”, and SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities”, which is effective for the Company as of January 1, 2001. These standards establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

At March 31, 2006 and 2005, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

Development Stage Activities

The Company has been in the development stage since its formation on July 11, 1995. It is primarily engaged in medical research and development.

Loss Per Share

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of “basic” and “diluted” loss per share. Basic loss per share includes no dilution and is computed by dividing net loss available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted loss per share. Although there was approximately 74,067,442 common stock equivalents outstanding at March 31, 2006, they were not included in the calculation of earnings per share because they would have been considered anti-dilutive.

VIRAL GENETICS, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2006

Fair Value of Financial Instruments

The Company' s financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include accounts payable, accrued expenses and borrowings from related parties. All of the Company' s financial instruments are accounted for on a historical cost basis, which approximates fair value at March 31, 2006.

Going Concern

As shown in the accompanying financial statements, the Company has incurred an accumulated deficit of $44,303,461 through March 31, 2006. The Company is currently in need of funds to continue its research and development goals. The Company has substantial debt and recurring losses from operations. These factors and uncertainties raise substantial doubt about the Company' s ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence. Management has designed plans for sales of the Company' s products. Management intends to seek additional capital from new equity securities offerings and from debt financing that will provide funds needed to increase liquidity, fund internal growth and fully implement its business plan.

An estimated $2,500,000 of cash is believed necessary to continue operations and increase development through the next fiscal year. The timing and amount of capital requirements will depend on a number of factors, including demand for products and services and the availability of opportunities for international expansion through affiliations and other business relationships. Management intends to seek additional capital from new equity securities issuances to provide funds needed to increase liquidity, fund internal growth, and fully implement its business plan.

Impaired Asset Policy

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. SFAS No. 144 requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. This statement is effective beginning for fiscal years after December 15, 2001, with earlier application encouraged. The Company adopted SFAS No. 144 and does not believe any adjustments are needed to the carrying value of its assets at December 31, 2005.

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VIRAL GENETICS, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2006

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes.” Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the “more likely than not” standard imposed by SFAS No. 109 to allow recognition of such an asset.

Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation. These reclassifications have not resulted in any changes to the Company’ s accumulated deficit or the net losses presented.

Research and Development

Research and development expenses are charged to operations as incurred.

Revenue Recognition

The Company recognizes revenue from product sales upon shipment to the customer if collectability is reasonably assured.

Segment Reporting

The Company does not utilize segment information at this time as defined by Statement of Financial Accounting Standards No. 131 because it has only one principal business activity and because its wholly owned Beijing subsidiary had no activity other than expenses of $21,000 which are included in the statement of operations as of March 31, 2006.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

VIRAL GENETICS, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2006

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153. This statement addresses the measurement of exchanges of nonmonetary assets. The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions," is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that opinion; however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetrary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges incurred during fiscal years beginning after the date of this statement is issued. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 152, which amends FASB statement No. 66, "Accounting for Sales of Real Estate," to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, "Accounting for Real Estate Time-Sharing Transactions." This statement also amends FASB Statement No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects," to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

In December 2004, the Financial Accounting Standards Board issued a revision to Statement of Financial Accounting Standards No. 123R, "Accounting for Stock Based Compensations." This statement supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity' s equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in Statement of Financial Accounting Standards No. 123. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." The Company has determined that there was no impact on the Company' s financial statements from the adoption of this statement.

This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in Statement of Financial Accounting Standards No. 123. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." The Company has determined that there was no impact on the Company' s financial statements from the adoption of this statement.

VIRAL GENETICS, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2006

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 151, Inventory Costs− an amendment of ARB No. 43, Chapter 4. This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . ." This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not believe the adoption of this Statement will have any immediate material impact on the Company.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (hereinafter "SFAS No. 150"). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has determined that there was no impact on the Company' s financial statements from the adoption of this statement.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The useful lives of property, plant and equipment for purposes of computing depreciation are three to five years. The estimated useful lives of leasehold improvements are twenty years, the expected term of the lease plus extensions.

The following is a summary of property, equipment, and accumulated depreciation:

	March 31, 2006	December 31, 2005
Equipment	$313,070	$313,070
Leasehold improvements	1,039,306	938,627
	1,352,376	1,251,697
Less accumulated depreciation	(313,256)	(290,936)
	$1,039,120	$960,761

Equipment principally consists of machines that can be used to manufacture the Company' s drug candidates. Depreciation for the three months ended March 31, 2006 and 2005 was $22,319 and $15,845, respectively. The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The cost and related reserves of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected in results of operations.

VIRAL GENETICS, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2006

NOTE 4 – PATENTS

The Company has the following patents issued:

Region	Date Issued	Patent No.
Australia	October 19, 2000	721463
Canada	March 18, 2003	2220347
EPC (Austria, Denmark, France, Germany, Great Britain, Ireland, Italy, Liechtenstein, Monaco, Netherlands, Spain, and Switzerland)	September 5, 2001	69615015.8
Hong Kong	August 9, 2002	HK1009457
Israel	January 5, 1996	118103/5
Russia and Former Soviet Republics	July 4, 2000	001100

These patents all relate to certain of the Company' s products which are based on TNP. The Company also has patents issued in Bulgaria and New Zealand, and pending patent applications in Argentina, Brazil, China, Japan, South Africa and United States.

The Company can give no assurance that other companies, having greater economic resources, will not be successful in developing products similar to those of the Company. There can be no assurance that patents, if obtained for the aforementioned patent applications, will be enforceable. Patents that had been acquired from Therapeutic Genetics, Inc. were the security for a note payable which was converted to common stock and warrants in 2004.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Product Liability

The Company may be subjected to future claims resulting from the use of its drug candidates, although the Company is unaware of any product-related litigation or potential claims to date. As of March 31, 2006, the Company does not have product liability insurance for any of its drug candidate products.

Consulting Agreements

During the three months ended March 31, 2006, the Company had in place agreements with several individuals and entities for various consulting and advisory services which provided that each contracted consultant or advisor would periodically receive stock or stock options (See Note 10 regarding stock options). As of March 31, 2006, the Company had ten individuals and firms engaged under such agreements.

The Company also has other agreements with consultants for future issuance of common stock as compensation.

Employment Agreements

On June 1, 2003, the Company entered into employment agreements with three executive officers who are also directors and principal shareholders of the Company, Mr. Haig Keledjian as president and chief executive officer; Mr. Hampar Karageozian as chief operating officer; and Mr. Harry Zhabilov, Jr. as executive vice president of research and development. Mr. Hampar Karagezian resigned his position on August 5, 2004, which voids his employment agreement. The two remaining agreements are effective until May 31, 2006 and may be extended for additional one year terms upon the mutual consent of the employee and the Company. Each agreement provides for a salary of $150,000 per annum, a signing bonus of 500,000 options to purchase shares of the Company' s common stock at a price equal to market value on the date of the options' issuance, and an annual grant of 1,800,000 stock options to purchase shares of the Company' s common stock at a price equal to market value on the date of the options' issuance. On May 1, 2005, the Company entered into an employment agreement with Monica Ord, an officer of the Company. The agreement provides for a salary of $150,000 per annum plus 800,000 options to acquire shares of common stock at a price of $0.01 which vests in eight increments of 100,000 for each three months of employment. The agreement also provides for certain performance-based bonuses. See Note 9 regarding stock options.

VIRAL GENETICS, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2006

Distribution Agreements

On March 24, 2004, the arm' s length party accepted an offer to purchase 10% of the Company' s former South African subsidiary for total consideration of $500,000. The Company agreed to the first 5% being fully paid for by $100,000 advanced in June, 2002, and the second 5%, which was valued at $400,000, was to be paid no later than November 30, 2004. In relation to this, the $109,966 unsecured note was cancelled. Subsequently, in May 2004, the Company and the arm' s length party agreed to cancel all outstanding agreements and in lieu of this the Company has granted to this party a royalty of 2.5% of the net sales of VGV-1 in Africa for a period of 20 years commencing from the first commercial sale of VGV-1 in Africa with no further obligations in regard to the $109,966 note or the $100,000 advanced in June, 2002. Further, this party was granted an option to acquire 1,000,000 shares of the Company' s common stock at a purchase price of $0.40 per share, exercisable until December 31, 2004. This option has expired unexercised.

In May and June 2004, the Company entered into several agreements with Timothy and Thomas LLC ("T & T") which is controlled by the holder of the $200,000 convertible debenture issued by the Company in September 2003, and Timothy W. Wright III, a former director of the Company. The agreements included the sale of the former South African subsidiary, Viral Genetics South Africa (Pty) Limited ("VGSA"), to the buyer for cash consideration of $650,000 and forgiveness of the $200,000 convertible debenture. In December 2004, the Company and T & T entered into an agreement which superceded previous agreements and obligated T & T to pay for the costs of the Company' s ongoing clinical trial of VGV-1 in South Africa up to a maximum threshold amount. As the exclusive distribution management partner of the Company in Africa with respect to Company' s HIV and AIDS products, T & T will secure and establish distributors in Africa, and provide management and oversight of the Company' s relationships with distributors. VGSA is the exclusive distributor of the Company' s HIV and AIDS products in South Africa.

Lease

On April 7, 2004, the Company signed a five-year lease for an administrative, research and development facility to commence August 1, 2004. The base rent and fees are $6,450 per month, after payment of an initial deposit of $40,590. The Company expects to have its corporate headquarters, primary manufacturing, and primary research and development facilitate located at this new facility in Azusa, California. On January 1, 2005, the Company signed a three year lease for additional administrative, research and development facility to commence immediately. The base rent and fees are $6,018 per month. The Company expects to locate additional office space, as well as a quality control laboratory, at this facility. Also, the Company' s Chinese subsidiary has a month to month lease for approximately $2,000 per month.

Total lease commitments for the subsequent years ended December 31 are as follows:

2006	$149,616
2007	$149,616
2008	$ 77,400
2009	$ 45,150
	$421,782

NOTE 6 - COMMON STOCK

In March 2006, the Company issued 667,500 shares to Southwest Land Trust and Investments on exercise of warrants for cash received in January, February and March 2006.

In March 2006, Caribou Investments, Inc., subscribed for the purchase of 1,800,000 shares of common stock at a price of $0.35 per share, or a total of $630,000, payable $250,000 on March 10, 2006, $250,000 on April 10, 2006, and $130,000 on May 10, 2006. In connection with the transaction, Caribou Investments agreed to cancel outstanding options to purchase 88,417 shares at an average exercise price of $0.53 per share and warrants to purchase 1,747,719 shares at an exercise price of $0.40. The first two installments totaling $500,000 each were received in March and April 2006 and the Company issued to Caribou Investments 1,428,572 shares of common stock.

In March 2006, the Company issued 750,000 shares to Imperial Consulting Network, Inc. as partial compensation for a publication agreement.

In March 2006, the Company issued 308,334 shares of common stock to Medbridge Development Corporation and 151,866 shares to Joseph Natale as compensation for consulting services rendered to the Company.

In February 2006, the Company issued: 100,000 shares of common stock to Michael Agadjanyan on exercise of an option and payment of the exercise price of $1,000; 25,000 shares of common stock to Dr. Robert Siegel on exercise of an option and payment of the exercise price of $250; 96,000 shares of common stock to five individuals on exercise of an option issued to Ashot Petrossian and payment of the exercise price of $960; and 100,000 shares to Ronald Moss on exercise of an option and payment of the exercise price of $1,000. In January 2006, the Company issued 26,400 shares of common stock to Andre Bagdasarian on exercise of an option and payment of the exercise price of $264. All of the foregoing options were issued as compensation for consulting services.

In February 2006, the Company settled an outstanding payment obligation for construction on the Company' s facility in the amount of $173,845 owed to Kizyma Electric by issuing 695,379 shares of common stock.

Pursuant to a placement agency agreement with Stonegate Securities, Inc., the Company issued to the three principals of Stonegate Securities 200,000 shares of common stock in January 2006. The shares were issued as compensation for services in reviewing and analyzing the Company with a view to assisting the Company in raising capital.

On December 23, 2005, the Company sold an unsecured convertible debenture in the principal amount of $116,800 that accrues interest at the rate of 10 percent per annum to Provident Group Holdings, LLC. The debenture matures on October 18, 2007. The principal amount of the debentures is convertible to common stock at any time at the election of the holder at a rate of one common share for each $0.18 of principal, which is subject to certain anti-dilution adjustments. Provident also acquired a warrant to purchase a total of 648,888 shares of the Company' s common stock over a term of three years at an exercise price of $0.30 per share. Provident has the right to tender the debenture for redemption before the maturity date if there is a change in control of the Company, which is defined as a sale of substantially all of the Company' s assets or a change in more than 50 percent of the voting control of the Company. Subject to certain exceptions, the Company agreed to register the shares of common stock underlying the convertible debentures and warrants under any registration statement filed by the Company to register shares to be offered for the account of the Company or other selling shareholders. One of the exceptions is that the Company is not obligated to include the shares in any Registration Statement filed to register securities of the Company offered and sold in a financing transaction involving the sale of Company securities where the underwriter of the transaction or, if there is no underwriter, the Company, reasonably determines in good faith that the inclusion of the shares underlying the debentures and warrants would materially negatively affect the financing transaction. The debenture and warrant are identical to the debenture and warrant issued by the Company in October 2005.

In December 2005, the Company issued 100,000 shares of common stock to Ronald Moss on exercise of an option and payment of the exercise price of $1,000 and 50,000 shares of common stock to Eric Rosenberg on exercise of an option and payment of the exercise price of $500.

Between December 2, 2005 and December 5, 2005, the Company completed the sale of 2,800,000 shares of common stock and warrants to purchase an additional 2,800,000 shares at a price of $.45 per share that are exercisable for a term of three years to individual investors for $700,000.

In December 2005, the Company issued 500,000 shares to four consultants for services valued at $260,000. The Company also issued 150,000 and 100,000 shares to consultants for cash of $1,500 and $1,000 and services valued at $40,750 and $28,000, respectively.

On November 7, 2005, the Company completed the sale of 555,555 shares of common stock and warrants to purchase an additional 555,555 shares at a price of $.30 per share that is exercisable for a term of two years to an individual investor for $100,000.

In November 2005, the Company completed the sale of 222,008 shares of common stock to individual investors for $34,968.

In October 2005, the Company issued 750,000 shares to five consultants for services valued at $750,000. The Company also issued 102,000 shares to a consultant for cash of $1,020 and services valued at $23,460.

In November 2005, the Company issued 143,100 shares to a consultant for cash of 1,431 and services valued at $52,110.

In September 2005, the Company issued 108,800 shares to two consultants for cash of $1,088 and services valued at $24,848.

In August 2005, the Company issued 210,000 shares to an officer for exercise of options for cash of $2,100 and services valued at $45,100.

In July 2005, the Company issued 19,200 shares to a consultant for cash of $192 and services valued at $4,136.

In June 2005, the Company issued 390,800 shares to four consultants for cash of $3,980 and services valued at $85,904.

In May 2005, the Company issued 197,200 shares to two consultants and two equipment vendors for cash of $1,972 and services valued at $39,440.

In April 2005, the Company issued 199,000 shares to two consultants for cash of $1,990 and services valued at $53,730; and 100,000 shares to a consultant for services valued at $28,000.

On April 25, 2005, the Company completed the sale of 625,000 shares of common stock and warrants to purchase an additional 500,000 shares at a price of $0.50 per share that are exercisable for a term of two years to General Global Ventures, LLC, a Delaware limited liability company, for $200,000. On June 29, 2005, the Company completed the sale of 250,000 additional shares of common stock and warrants to purchase an additional 200,000 shares at a price of $0.50 per share that are exercisable for a term of two years to General Global Ventures, LLC. The shares and warrants were issued under a securities purchase agreement, which further provided that General Global Ventures could purchase up to an additional 2,656,250 shares of common stock and 2,125,000 warrants on or before May 31, 2005 at an additional total purchase price of $850,000. The securities purchase agreement is now expired. The Company granted General Global Ventures certain "piggy-back" registration rights to include the shares in future registration statements files by the Company under the Securities Act of 1933.

On the occurrence of either authorization by the FDA to conduct a human clinical trial or authorization by a foreign regulatory agency permitting a human clinical trial in the Caribbean, Central America (including Mexico), and South America, the securities purchase agreement grants to General Global Ventures the option of investing in any business entity formed by the Company for distribution of the Company' s products, VGV-1, in the Caribbean, Central America (including Mexico), and South America.

In March 2005, the Company issued 125,000 shares to two consultants for cash of $1,250 and services valued at $46,250.

In February 2005, the Company issued 110,400 shares to two consultants for cash of $1,104 and services valued at $39,744.

In January 2005, the Company issued 209,400 shares to three consultants for cash of $2,094 and services valued at $83,896; and 300,000 shares to a consultant for services valued at $118,000.

On September 20, 2004, the Company filed documents with the state of California amending its certificate of incorporation to increase its authorized common shares to 250,000,000.

In December 2004, the Company issued 230,000 shares to five consultants for cash of $2,300 and services valued a $108,632.

In November 2004, for cash of $2,000,000, the Company issued to John D. Lefebvre 8,000,000 shares. Also in November 2004, the Company issued 1,000,000 shares valued at $450,000 to two parties for finder' s fees; 150,000 shares for investor relations services valued at $52,500; and 719,800 shares to four consultants for cash of $7,190 and services valued at $293,618.

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In October 2004, the Company issued 124,000 shares to two consultants for exercise of options for cash of $124 and services valued at $99,500.

In September 2004, the Company issued 24,708,580 shares to 37 entities in connection with the conversion of the Therapeutic Genetic, Inc. note payable. Included in this total are 19,719,452 shares issued to three directors of the Company or controlled entities. Also in September 2004, the Company issued 315,600 shares to 5 consultants for cash of $3,156 and services valued at $157,924. These shares were issued in reliance on the exemption from registration set forth in Section4(2) of the Securities Act of 1933. No commission was paid to any person in connection with the transactions.

In August 2004, the Company cancelled 100,000 shares that were issued in error pursuant to a consulting agreement that did not take effect.

In July 2004, the Company issued 275,000 shares to two consultants for exercise of an option for cash of $2,750 and services valued at $137,500, and 121,065 shares to an individual for cash of $50,000. These shares were issued in reliance on the exemption from registration set forth in Section4(2) of the Securities Act of 1933. No commission was paid to any person in connection with the transactions.

In May, 2004, the Company issued 175,000 shares to a consultant for exercise of an option for cash of $1,750 and services valued at $96,600 and 1,500,000 shares valued at $660,000 to two arm' s length entities for settlement of terminated agreements. These shares were issued in reliance on the exemption from registration set forth in Section4(2) of the Securities Act of 1933. No commission was paid to any person in connection with the transactions.

During the three months ended March 31, 2004, the Company issued 1,240,800 shares for cash of $477,349 and subscription receivable of $600; 950,000 shares for exercise of options for cash of $9,500; 350,000 shares for exercise of warrants for a subscription receivable of $3,500; 729,722 shares for services valued at $370,187; 66,666 shares in exchange for debt of $10,726; and 250,000 shares in exchange for a settlement agreement valued at $175,000.

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NOTE 7 – INCOME TAXES

At March 31, 2006, the Company had net deferred tax assets of approximately $7,312,671 (calculated at an expected rate of 34%) principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset was recorded at March 31, 2006 and December 31, 2005.

The significant components of the deferred tax asset at March 31, 2006 and December 31, 2005 were as follows:

	March 31, 2006	December 31, 2005
Net operating loss carryforward before adjustments	$44,303,461	$36,236,762
Section 197 amortization of patents	347,070	347,070
Tax over book depreciation	7,868	10,406
Options/warrants issued for expenses	(23,150,542)	(17,859,201)
Net operating loss carryforward	21,507,857	18,735,037
Deferred tax asset	$7,312,671	$6,369,913
Deferred tax asset valuation allowance	$(7,312,671)	$(6,369,913)

At March 31, 2006, the Company has utilizable net operating loss carryforwards of approximately $21,507,857 which expire in the years 2016 through 2025. The Company recognized approximately $5,291,341 and $2,362,679 of losses from issuance of restricted common stock and stock options for services for the three months ended March 31, 2006 and the year ended December 31, 2005, respectively, which are not deductible for tax purposes and are not included in the above calculation of deferred tax assets. The change in the allowance account from December 31, 2005 to March 31, 2006 was $942,758.

NOTE 8 – CONVERTIBLE NOTES PAYABLE

Related Parties

At March 31, 2006 and December 31, 2005, respectively, the Company had the following obligations:

	2006	2005

Convertible notes payable to related parties	$1,505,802	$2,080,753
Total	$1,505,802	$2,080,753

Accrued interest on convertible notes payable to related parties was $31,575 and $40,067 at March 31, 2006 and December 31, 2005, respectively.

The related party notes were due in 2003, the Company did not have the funds necessary to pay the obligations. The debts were restructured in June 2003 with the issuance of 5% convertible notes whose terms included all underlying principal and interest due March 31, 2008. All of these convertible notes are exchangeable into units of the Company at the rate of $0.30 per unit. Each unit consists of one common share of the Company' s common stock and one warrant to purchase a share of the Company' s common stock at a price of $0.40, exercisable for 5 years.

Other

On March 29, 2006, Viral Genetics, Inc. entered into securities purchase agreements with eleven private investors providing for convertible debt financing to Viral Genetics. In the transactions, Viral Genetics agree to issue to the investors:

(1) 10% Senior Secured Amortizing Convertible Debentures Due September 1, 2008 (the "Debentures"), in the aggregate principal amount of approximately $2.9 million;

(2) Warrants to purchase approximately 6.4 million shares of Viral Genetics common stock at an exercise price of $0.78 per share exercisable over a term of five years (the "Warrants"); and

(3) Unit Purchase Warrants to purchase an additional $2.1 million in principal amount of Debentures and additional Warrants to purchase 4.7 million shares of common stock (the "Unit Warrants").

The initial purchase of approximately $2.5 million in principal amount of the Debentures was closed on March 29, 2006, resulting in proceeds to Viral Genetics after commissions and the investors' professional fees of approximately $2.2 million. The remainder of the transaction closed in April. The carrying value of the Debentures was $2,451,551 at March 31, 2006.

The principal amount of the Debentures is convertible to common stock at any time at the election of the holder at a rate of one common share for each $0.45 of principal. Principal is payable over a term of 24 months beginning October 1, 2006, and may, at the election of Viral Genetics and subject to certain conditions, be paid in shares of common stock priced at the lower of $0.45 or 80 percent of the average of the three lowest closing bid prices during the ten trading days prior to the monthly payment date. If monthly installments of principal are paid in cash, Viral Genetics must pay an additional premium equal to five percent of the monthly principal payment. Interest on the Debentures is paid quarterly beginning October 1, 2006, and may, at the election of Viral Genetics and subject to the satisfaction of certain conditions, be paid with shares of common stock. The shares of common stock underlying the securities sold in this financing transaction will be registered for resale on a registration statement to be filed by Viral Genetics within 45 days following closing. The Unit Warrants are exercisable over a term of nine months following the effective date of the registration statement. Beginning six months following the effective date of the registration statement, Viral Genetics can prepay the Debentures, subject to certain conditions and the payment of a 20 percent premium on the principal amount of the Debentures prepaid.

The Debentures are secured by substantially all of the assets of Viral Genetics. So long as the Debentures are outstanding, Viral Genetics is prohibited from incurring additional debt, except in the ordinary course of business in an amount in the aggregate not to exceed $25,000 and indebtedness incurred for purchase or lease of fixtures and equipment in an aggregate amount not to exceed $8,000,000, allowing any liens to attach to its assets, except for capital leases and purchase money security interests established on the acquisition of fixtures and equipment, repay or redeem any of its securities, and making any distributions on its outstanding securities.

The securities were offered and sold in reliance on the exemption from registration set forth in Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D. HPC Capital Management Corporation assisted with placement of the financing and received a cash commission of approximately $290,000, and Warrants to purchase approximately 145,000 shares of common stock.

In a related transaction, the investors purchasing the Debentures negotiated for and purchased from three other creditors of Viral Genetics unsecured convertible debentures in the principal amount of $576,800 that accrue interest at the rate of 10 percent per annum originally issued in October 2005. Accrued interest on the unsecured debentures at the time of the purchase was $21,650, so the total purchase price paid was $598,450. The maturity date of the unsecured debentures is October 18, 2007. The principal amount of the debentures is convertible to common stock at any time at the election of the holder at a rate of one common share for each $0.18 of principal. Viral Genetics will include the shares underlying the unsecured debentures in the registration statement described above. These convertible notes have a carrying value of $598,450 at March 31, 2006.

As an inducement to the three creditors to sell the unsecured debentures to the investors purchasing the Debentures, Best Investments, Inc., which holds convertible promissory notes issued by Viral Genetics, agreed to sell to the three creditors $598,450 in principal amount of the convertible notes for cash in that amount. Haig Keledjian, an officer, director, and principal shareholder of Viral Genetics, is the sole officer and director of Best Investments, Inc. These convertible notes have a carry value of $598,450 March 31, 2006.

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On June 30, 2004 a related party converted a note payable in the amount $6,976,758 plus accrued interest of $527,516 into 24,708,580 shares of common stock and 24,708,580, $.40 stock purchase warrants.

NOTE 9 – WARRANTS

In March 2006, the Company granted 6,425,658 warrants to investors in connection with the private placement of 10% Senior Secured Convertible Debentures Due September 1, 2008 in the aggregate principal amount of approximately $2.9 million. In connection with this transaction, the Company issued 144,578 warrants to the broker who assisted with the private placement. The Company also granted 3,324,727 warrants to investors at a lower exercise price as an inducement to the investors to sell debentures to the purchasers of the 10% Senior Secured Convertible Debentures discussed above.

An investor exercised 667,500 warrants by purchasing common stock shares for $267,000 and the Company cancelled 4,158,187 warrants during the three months ended March 31, 2006.

During the three months ended March 31, 2006, the fair value of each warrant granted was estimated using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest of 5%, volatility of 99.9%, expected life of 1 - 2.5 years, and no expected dividends. The value of these warrants, $4,280,149, was charged to interest expense during the period.

During the year ended December 31, 2005, the Company granted 4,055,555 warrants to investors in connection with private placements of 4,230,555 shares of common stock for $1,118,533 cash. The Company also granted 2,771,109 warrants to investors in connection with the issuance of unsecured convertible debentures in the principle amount of $516,800. The Company cancelled 4,000,000 warrants to an investor replacing them with an additional 4,000,000 warrants.

During the three months ended December 31, 2004, the Company granted 4,000,000 warrants to John D. Lefebvre in connection with a private placement of 8,000,000 units for $2,000,000 cash.

During the three months ended September 30, 2004, the Company granted 24,708,580 warrants due to conversion of related party debt.

During the three months ended March 31, 2004, the Company granted 66,666 warrants in exchange for debt valued at $9,267.

During the year ended December 31, 2003, the Company granted 600,000 warrants for compensation for consulting services.

The Company also issued 450,880 warrants as part of the units issued pursuant to the exchange of debts totaling $135,264.

During the year ended December 31, 2005, the fair value of each warrant granted was estimated using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest of 5%, volatility of 164%, expected life of 1-5 years, and no expected dividends. The value of these warrants in the amount of $481,089 reduced notes payable.

During the year ended December 31, 2004, the fair value of each warrant granted was estimated using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest of 4%, volatility of 77% to 137%, expected life of 2-5 years, and no expected dividends. The value of these warrants was estimated at $3,436,105. Of this total, $3,236,105 reduced notes payable and accrued interest and $200,000 was the purchase price of 4,000,000 warrants included in the purchase of 8,000,000 common stock shares.

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The following is a summary of stock warrants activity:

	Number of Warrants
Warrants outstanding at January 1, 2005	29,226,126
Granted in 2005	10,826,664
Cancelled in 2005	(4,000,000)
Warrants outstanding and exercisable at December 31, 2005	36,052,790
Weighted average fair value of warrants granted during the year ended December 31, 2005	$0.45

	Number of Warrants
Warrants outstanding at January 1, 2006	36,052,790
Granted in 2006	9,894,963
Exercised in 2006	(667,500)
Cancelled in 2006	(4,158,187)
Warrants outstanding and exercisable at March 31, 2006	41,122,066
Weighted average fair value of warrants granted during the three months ended March 31, 2006	$0.45

NOTE 10 – STOCK OPTIONS

In the three months ended March 31, 2006, the Company granted 639,950 options under various consulting or advising agreements at an exercise price of $0.01. These options are generally granted at varying rates per consultant or advisor for every month or three months of service until the termination of the individual agreements. At March 31, 2006, 148,150 of the options granted had been exercised. There were also 126,400 options granted during 2005 that were exercised by March 31, 2006. Also during the three months ended March 31, 2006, the Company granted 800,000 options under an employment agreement at an exercise price of $0.80; 500,000 options under a consulting agreement at an exercise price of $0.75 which vests in three equal increments on signing and on each one-year anniversary of signing; and 100,000 options to a director at an exercise price of $0.80 that vests in two equal increments on the six month and one year anniversary of granting. During the three months ended March 31, 2006, 850,000 options granted in 2003 and 2004 expired unexercised.

During the three months ended March 31, 2006, the fair value of each option granted was estimated using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest of 5%, volatility of 96.5%, expected life of 1 year, and no expected dividends. The value of these options, $893,361, was charged to consulting fees and payroll expense during the period.

During the three months ended December 31, 2005, the Company granted 551,500 options under various consulting or advising agreements at an exercise price of $.01. These options are generally granted at varying rates per consultant or advisor for every month or three months of service until the termination of the individual agreements. At December 31, 2005, 292,100 of the options granted had been exercised. There were also 199,000 of options granted during the three months ended September 30, 2005 that were exercised by December 31, 2005.

During the three months ended September 30, 2005, the Company granted 620,400 options under various consulting or advising services agreements at an exercise price of $0.01. These options are generally granted at varying rates per consultant or advisor for every month or three months of service until the termination of the individual agreements. At September 30, 2005, 227,600 of the options granted had been exercised.

During the three months ended June 30, 2005, the Company granted 980,000 options under various consulting or advising services agreements at an exercise price of $0.01. These options are generally granted at varying rates per consultant or advisor for every month or three months of service until the termination of the individual agreements, although the current period included options that had previously vested but were not issued. At June 30, 2005, 715,000 of the options granted had been exercised. Also during the three months ended June 30, 2005, the Company granted 800,000 options under an Employment Agreement at an exercise price of $0.01, which vest in eight quarterly increments of 100,000 from July 31, 2005 to April 30, 2007; and 100,000 options to a Director of the Company at an exercise price of $0.25 which vests in two increments of 50,000 on the six month and twelve month anniversary of the issuance.

During the three months ended March 31, 2005, the Company granted 528,200 options under various consulting or advising services agreements at an exercise price of $0.01. These options are generally granted at varying rates per consultant or advisor for every month or three months of service until the termination of the individual agreements. At March 31, 2005, 444,800 of the options granted had been exercised. Also during the three months ended March 31, 2005, the Company granted 500,000 options under an Employment Agreement at an exercise price of $0.41.

During the three months ended December 31, 2004, the Company granted 623,800 options under various consulting or advising services agreements at an exercise price of $0.01. These options are generally granted at varying rates per consultant or advisor for every three months of service until the termination of the individual agreements. At December 31, 2004, 548,800 of the options granted had been exercised.

During the three months ended September 30, 2004, the Company granted 1,139,600 options under various consulting or advising services agreements at an exercise price of $0.01. These options are generally granted at varying rates per consultant or advisor for every three months of service until the termination of the individual agreements. In one case, the consultant was granted a lump-sum option of 500,000 shares. The options are valid until two years following termination of the consultant or advisor or May 31, 2008, whichever is sooner. At December 31, 2004, 1,039,600 of the options granted had been exercised.

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During the three months ended June 30, 2004, the Company granted 550,000 options under various consulting or advising services agreements at exercise price of $0.01. These options are granted at varying rates per consultant or advisor for every three months of service until the termination of the individual agreements. The options are valid until two years following termination of the consultant or advisor or May 31, 2008, whichever is sooner. At December 31, 2004, 475,000 of the options granted had been exercised. Also during this period, the Company issued 1,800,000 options to Mr. Haig Keledjian and Mr. Harry Zhabilov Jr. pursuant to each officer' s Employment Agreement (more fully described in Note 4). These options are at exercise prices of $0.45 and are exercisable until two years following termination of the officer of May 31, 2008, whichever is sooner. The Company also issued 1,000,000 options to a company in conjunction with a cancelled distribution agreement exercisable at $0.40 per share. This option expired unexercised December 31, 2004.

During the three months ended March 31, 2004, the Company granted 1,050,000 options under various consulting or advising services agreements at exercise prices of $0.01 to $0.58. These options are granted at varying rates per consultant or advisor for every three months of service until the termination of the individual agreements. The options are valid until two years following termination of the consultant or advisor, or May 31, 2008, whichever is sooner. At December 31, 2004, 450,000 of the options granted had been exercised.

During the year ended December 31, 2003, the Company granted 13,080,769 options under various consulting or advising services agreements at exercise prices of $0.01 to $1.00. These options are granted at varying rates per consultant or advisor for every three months of service until the termination of the individual agreements. The options are valid until two years following termination of the consultant or advisor, or May 31, 2008, whichever is sooner. At December 31, 2004, 2,830,769 of these options had been exercised.

The Company issued 2,300,000 options each to three directors. which includes 1,800,000 options as part of an annual option and 500,000 options as a signing bonus which were granted pursuant to each officer' s employment agreement; 1,250,000 options to consultants as compensation for management roles. Another 250,000 options were issued as a finder' s fee.

During the year ended December 31, 2005, the fair value of each option granted was estimated using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest of 5%; volatility of 164%; expected life of 1-5 years; and no expected dividends. The value of these options in the amount of $1,290,662 is included in consulting fees expense in the accompanying financial statements.

During the year ended December 31, 2004, the fair value of each option granted was estimated using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating fair value: risk free interest of 4%; volatility of 77% to 137%; expected life of 1-5 years; and no expected dividends. The value of these options in the amount of $3,892,960 is included in consulting fees, research and development, and management salaries expense in the accompanying financial statements.

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The following is a summary of stock option activity:

	Number of Options	Weighted Average Exercise Price
Options outstanding at January 1, 2005	14,800,000	$ .38
Granted during 2005	4,180,100	.06
Exercised during 2005	(2,736,900)	.01
Options outstanding and exercisable at December 31, 2005	16,243,200	$ .47
Weighted average fair value of options granted during the year ended December 31, 2005	$.28	
Options outstanding at January 1, 2006	16,243,200	$ 0.47
Granted in 2006	2,039,950	0.01
Expired in 2006	(850,000)	0.01
Exercised in 2006	(274,550)	0.49
Options outstanding and exercisable at March 31, 2006	17,158,600	.47
Weighted average fair value of options granted during the three months ended March 31, 2006	0.44	

There is no formal stock option plan in place. Stock options are issued by management for consulting services as deemed appropriate.

NOTE 11 - MERGER AND ACQUISITION

Acquisitions

VIRAL GENETICS, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2006

On October 1, 2001, Viral Genetics, Inc., a Delaware corporation, acquired all of the outstanding common stock of the Company. For accounting purposes, the acquisition has been treated as a recapitalization of Viral Genetics, Inc., a Delaware corporation, with the Company as the acquirer (reverse acquisition), wherein the Company became the continuing reporting entity. The net book value of liabilities assumed was $280,275 in the form of notes payable. The historical financial statements prior to October 1, 2001 are those of the Company, and are restated for the exchange of 29,750,580 shares of common stock for the original capital stock of the Company.

NOTE 12 – LITIGATION

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On April 3, 2006, T&T filed a complaint against Viral Genetics in the United States District Court for the Northern District of Illinois, case No. 0601813. The complaint alleges that Viral Genetics made false statements regarding its ownership of certain intellectual property rights to the drug candidate for the treatment of HIV/ AIDS that is the subject of the Distribution Agreement and that Viral Genetics did not have the right to grant the distribution rights to T&T under the Distribution Agreement because of rights T&T alleges were held by another party. The complaint seeks damages in excess of $5 million. Viral Genetics denies all of the allegations unequivocally, has filed an answer to the complaint denying the substantive allegations, and asserting counterclaims that it believes it has against T&T for breach of the Distribution Agreement. Viral Genetics believes this lawsuit to be part a calculated effort by T&T to extract concessions from Viral Genetics on manufacturing and related product rights on terms that Viral Genetics believes to be disadvantageous and unacceptable to Viral Genetics.

NOTE 13 − REDEEMABLE COMMON STOCK

In March 2006, the Company issued 643,800 shares to two employees pursuant to the terms of employment agreements as partial compensation for services to the Company to be performed under the agreements. The shares are subject to forfeiture if employment is terminated. For the three months ended March 31, 2006, the Company charged $57,849 to expenses for services rendered under these agreements.

NOTE 14 − RESTATEMENT

The Company has filed an amended Form 10-KSB on August 3, 2006, that reflected a change in the accounting for goodwill and patents purchased in 1995. The following summarize the changes in the Form 10-QSB as of March 31, 2006.

Description	As Reported	As Restated	Differences
Goodwill and patents, net	$5,171,860	−	$5,171,860
Deficit	(44,303,461)	(49,475,321)	(5,171,860)
Amortization	23,054	22,319	(735)
Net loss	(8,030,988)	(8,030,253)	735

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Item 2. Management' s Discussion and Analysis or Plan of Operation

Plan of Operation

Background

Viral Genetics, Inc., the Company' s subsidiary ("VGI"), was founded in 1995 to discover, develop, and commercialize a series of proprietary proteins. Our research interests include infectious disease – in particular, HIV infection and AIDS – autoimmune conditions and immunological deficiency. In October 2001, all of the issued and outstanding common stock of VGI was acquired by Viral Genetics, Inc., a Delaware corporation.

At the core of our technology is Thymus Nuclear Protein or TNP – a processed extract of mammalian thymus tissue. We have conducted five human clinical trials of the lead drug candidate developed from this compound, VGV-1, outside of the United States to examine its safety and efficacy as a treatment for HIV and AIDS. We view TNP as a platform technology following anecdotal observations of other potential applications of the TNP technology.

During and after our human clinical trials, we observed that some test subjects suffering from other clinical conditions and diseases, such as oral and genital herpes, Hepatitis C infection, rheumatoid arthritis, and others, reported anecdotal improvements in the symptoms of these other illnesses. We have therefore elected to distinguish VGV-1 from other potential applications of Thymus Nuclear Protein for future research.

Historically, we have allocated the majority of our efforts to the development of VGV-1 and we expect to continue to do so in the immediate future. Further, due to managements' ties to and experience in foreign markets, we actively pursued clinical development of VGV-1 in markets outside the United States with the goal of attaining commercialization leading to sales and/or licensing with distribution partners.

This strategy resulted in the Company completing five human clinical trials of VGV-1 outside the United States, and most recently a 137-patient Phase III study in South Africa.

Our primary corporate goal is to pursue development of our drug candidates, starting with VGV-1, through Phase II in the United States and to seek licensing or joint venturing with a partner with global manufacturing, marketing and distribution capabilities.

We are working through various testing related to VGV-1' s mechanism of action and characterization that we believe is necessary to complete and enhance our IND application. Although it is not strictly required for safety evaluation, this data would further support our request to begin human trials in the USA.

Contemporaneously, we plan to continue to seek commercial registration in China and South Africa, where we are in advanced stages of clinical development and where we believe the demand for VGV-1 will be strongest.

In December 2004, we entered into a Distribution Management Agreement with Timothy & Thomas LLC, ("T&T"). The Distribution Agreement grants to T&T the exclusive right to establish, appoint, and manage distribution and sub-distribution of all Viral Genetics products that are used or useful for the prevention or treatment of HIV and/or AIDS in continental Africa and certain island nations off the coast of Africa. The term of the Distribution Agreement is 20 years. In consideration for these rights, T&T made a payment of $650,000 in cash to Viral Genetics, surrendered for cancellation a convertible debenture in the principal amount of $200,000 originally issued in the name of Thomas Little, and agreed to pay the expenses incurred to complete the on-going clinical trial of VGV-1 in South Africa up to a maximum threshold amount beyond which we are required to pay for 50% of all expenses. Additional expenses related to the establishment of distribution in Africa over and above the South African clinical trial will also be shared by T&T and the Company.

As contemplated by the Distribution Agreement, T&T will establish distributors in each African country who will purchase our HIV/AIDS products directly from us and distribute those products in their respective countries. Viral Genetics will pay to T&T a management fee based on gross sales of Viral Genetics products in Africa. Distributors will pay an amount to us for product based on its final selling price, with a minimum guaranteed price.

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On April 3, 2006, T&T filed a complaint against Viral Genetics in the United States District Court for the Northern District of Illinois, case No. 0601813. The complaint alleges that Viral Genetics made false statements regarding its ownership of certain intellectual property rights to the drug candidate for the treatment of HIV/ AIDS that is the subject of the Distribution Agreement and that Viral Genetics did not have the right to grant the distribution rights to T&T under the Distribution Agreement because of rights T&T alleges were held by another party. The complaint seeks damages in excess of $5 million. Viral Genetics has filed an answer to the complaint denying the substantive allegations and asserting counterclaims that Viral Genetics believes it has against T&T for breach of the Distribution Agreement. Because this matter arose just recently, it is not possible to evaluate or predict what impact, if any, it will have on the financial condition and future operations of Viral Genetics.

The human clinical trial we completed in South Africa was authorized by the South African Medicines Control Council ("MCC") in February 2004. It was a multi-center, randomized, double-blind, placebo-controlled study of VGV-1 treated HIV-infected subjects. This study examined subjects with CD4+ counts of 250-500 at 7 test centers throughout South Africa and was designated by the MCC as a "Phase III study". We completed enrollment of 137 subjects. The primary endpoint for the study is the decrease in viral load as measured by PCR-RNA assay. Other endpoints include CD4+ counts, PBMC culture assays and other immunological markers. Patients received 16 intra-muscular injections over a 51-day period, and were followed up post-treatment to day 240. The study was administered by Virtus Clinical Development Services, a leading South African contract research organization. The study also included extensive immunological assays designed to detect a potential immune response associated with VGV-1 in an effort to further advance our understanding of its mechanism of action.

If the South African trial is successful, we intend to support an application to seek registration of VGV-1 in South Africa in 2006.

In January 2005, we completed the renovation of our 1321 Mountain View Circle facility. Once our existing equipment is installed, the facility will be capable of supporting cGMP manufacture of VGV-1 for clinical trial purposes although to produce larger quantities of VGV-1 we will be required to add additional manufacturing equipment. We require the completion of the facility to cGMP standards in order to support clinical trials in the USA, as well as to support commercial approval in China and South Africa.

Through an Assignment of Patent Agreement dated August 1, 1995, VGI acquired all of the rights in the patents pertaining to Thymus Nuclear Protein ("TNP"), which is the basis of several of the Company' s drug candidates. The patents were acquired by VGI from Therapeutic Genetic, Inc., another California corporation ("TGI"), for a note in the principal amount of $6,250,000 (the "Note") and a continuing royalty equal to 5 percent of the worldwide gross sales of products using the patented technology (the "Royalty"). The stockholders of TGI were all of the same persons who were former stockholders of VGI prior to its acquisition by Viral Genetics in October 2001. The Royalty was assigned to a limited liability company with the same shareholders as TGI and TGI has no further interest in the Royalty.

On June 30, 2004, TGI exercised the option to convert the convertible debentures they held under the Debt Restructuring Agreement dated May 22, 2003 to 24,708,580 shares of common stock and warrants to purchase an additional 24,708,580 shares. The warrants are exercisable at a price of $0.40 per share over a five-year period expiring on September 19, 2009.

From 1995 through 2002, certain directors of Viral Genetics have made loans and other advances to fund operations (the “Founders’ Notes”). In May 2003, the principal and accrued interest of the Founders’ Notes were restructured such that the due date of repayment was extended to May 22, 2008. It was also agreed that the holders of the Founders’ Notes could exchange the principal and accrued interest for Units of the Company at a price of $0.30 per Unit with each Unit consisting of one share of the common stock of the Company and one warrant to purchase one share of the common stock of the Company for $0.40 exercisable for 5 years. On August 5, 2004, the Founders’ Notes were assigned to Best Investment, Inc., a corporation of which Haig Keledjian, an officer and director, is the sole officer and director. As of December 31, 2004, the total principal and accrued interest on the Founder’ s Notes was $2,156,543. If exchanged pursuant to the foregoing terms, the Company would issue to the holders of the Founder’ s Notes 7,188,477 shares and 7,188,477 warrants.

On March 29, 2006, Viral Genetics entered into securities purchase agreements with 11 private investors providing for convertible debt financing to Viral Genetics. In the transactions, Viral Genetics agreed to issue to the investors:

10% Senior Secured Amortizing Convertible Debentures Due September 1, 2008 (the “Debentures”), in the aggregate principal amount of approximately $2.9 million;

Warrants to purchase approximately 6.4 million shares of Viral Genetics common stock at an exercise price of $0.78 per share exercisable over a term of five years (the “Warrants”); and

Unit Purchase Warrants to purchase an additional $2.1 million in principal amount of Debentures and additional Warrants to purchase 4.7 million shares of common stock (the “Unit Warrants”).

The initial purchase of $2.9 million in principal amount of the Debentures was closed on March 29, 2006 and April 14, 2006, resulting in proceeds to Viral Genetics after commissions and the investors’ professional fees of approximately $2.6 million.

The principal amount of the Debentures is convertible to common stock at any time at the election of the holder at a rate of one common share for each $0.45 of principal. Principal is payable over a term of 24 months beginning October 1, 2006, and may, at the election of Viral Genetics and subject to certain conditions, be paid in shares of common stock priced at the lower of $0.45 or 80 percent of the average of the three lowest closing bid prices during the ten trading days prior to the monthly payment date. If monthly installments of principal are paid in cash, Viral Genetics must pay an additional premium equal to five percent of the monthly principal payment. Interest on the Debentures is paid quarterly beginning October 1, 2006, and may, at the election of Viral Genetics and subject to the satisfaction of certain conditions, be paid with shares of common stock. The shares of common stock underlying the securities sold in this financing transaction will be registered for resale on a registration statement to be filed by Viral Genetics within 45 days following closing. The Unit Warrants are exercisable over a term of nine months following the effective date of the registration statement. Beginning six months following the effective date of the registration statement, Viral Genetics can prepay the Debentures, subject to certain conditions and the payment of a 20 percent premium on the principal amount of the Debentures prepaid.

The Debentures are secured by substantially all of the assets of Viral Genetics. So long as the Debentures are outstanding, Viral Genetics is prohibited from incurring additional debt, except in the ordinary course of business in an amount in the aggregate not to exceed $25,000 and indebtedness incurred for purchase or lease of fixtures and equipment in an aggregate amount not to exceed $8,000,000, allowing any liens to attach to its assets, except for capital leases and purchase money security interests established on the acquisition of fixtures and equipment, repay or redeem any of its securities, and making any distributions on its outstanding securities.

At March 31, 2006, we had $982,200 of current assets, current liabilities of $414,848, and long-term liabilities of $5,154,253. We estimate that we will need to fund approximately $1.5 million of research and development costs in the United States and South Africa $100,000 of patent work, and $900,000 of administrative expenses and product manufacturing costs during 2006.

Forward-Looking Statement Notice

When used in this report, the words “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “project,” “intend,” and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of

1934 regarding events, conditions, and financial trends that may affect the Company' s future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors.

Item 3. Controls and Procedures

As of March 31, 2006 an evaluation was performed under the supervision and with the participation of the Company' s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company' s disclosure controls and procedures. Based on that evaluation, the Company' s management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company' s disclosure controls and procedures were effective. There have been no significant changes in the Company' s internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 3, 2006, T&T filed a complaint against Viral Genetics in the United States District Court for the Northern District of Illinois, case No. 0601813. The complaint alleges that Viral Genetics made false statements regarding its ownership of certain intellectual property rights to the drug candidate for the treatment of HIV/ AIDS that is the subject of the Distribution Agreement and that Viral Genetics did not have the right to grant the distribution rights to T&T under the Distribution Agreement because of rights T&T alleges were held by another party. The complaint seeks damages in excess of $5 million. Viral Genetics filed an answer denying all of the substantive allegations unequivocally, and has asserted counterclaims that it believes it has against T&T for breach of the Distribution Agreement. Viral Genetics believes this lawsuit to be part a calculated effort by T&T to extract concessions from Viral Genetics on manufacturing and related product rights on terms that Viral Genetics believes to be disadvantageous and unacceptable to Viral Genetics.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Pursuant to a publication agreement with Imperial Consulting Network Inc. the Company issued to Imperial Consulting Network 750,000 shares of common stock in March 2006. The shares were issued as compensation for publication, investor relations, and related services.

In March 2006, the Company issued to GXP Biopharm LLC 139,350 shares on exercise of options for cash of $1,393.50 and services valued at $97,545 for consulting services.

In March 2006, the Company issued to Southwest Land Trust and Holdings 667,500 shares of common stock on exercise of a warrant for demand notes totaling $267,000.

In May 2006, the Company issued to Ronald Moss 100,000 shares of common stock for cash of $1,000 and services valued at $70,000 on exercise of options for consulting services.

The securities described above were offered and sold in reliance on the exemption from registration set forth in Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D. No commission was paid to any person in connection with effecting the transaction.

Item 6. Exhibits

Exhibits: Copies of the following documents are included or furnished as exhibits to this report pursuant to Item 601 of Regulation S-B.

Exhibit No.	SEC Ref. No.	Title of Document
31.1	31	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	32	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VIRAL GENETICS, INC.

Date: August 3, 2006

By: /s/ Haig Keledjian

Haig Keledjian
Chief Executive Officer
Chief Financial Officer

Exhibit 31.1

Certification

I, Haig Keledjian, certify that:

1. I have reviewed this quarterly report on Form 10-QSB for the period ended March 31, 2006 of Viral Genetics, Inc.;

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 the 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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer' s other certifying officer(s) 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 small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer' 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

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

5. The small business issuer' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer' s auditors and the audit committee of the small business issuer' 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 small business issuer' 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 small business issuer' s internal control over financial reporting.

Date: August 3, 2006

By: /s/ Haig Keledjian
Haig Keledjian
Chief Executive Officer
Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

In connection with the Quarterly Report of Viral Genetics, Inc. (the "Company") on Form 10-QSB for the period ending March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Haig Keledjian, Chief Executive Officer and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2006

By: /s/ Haig Keledjian
Haig Keledjian
Chief Executive Officer
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Viral Genetics, Inc. and will be retained by Viral Genetics, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.