

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
FORM 10-QSB/A
(Amendment #1)

(Mark One)

☒ Quarterly report under Section 13 or 15(D) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2007

☐ Transition report under Section 13 or 15(D) of the Exchange Act

For the transition period from _____ to _____

Commission file number 0-15888

IGENE Biotechnology, Inc.
(Exact name of Small Business Issuer as Specified in its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or organization)

52-1230461
(I.R.S. Employer
Identification No.)

9110 Red Branch Road, Columbia, Maryland 21045-2024
(Address of Principal Executive Offices)

(410) 997-2599
(Issuer's Telephone Number, Including Area Code)

None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the Issuer: (1) filed all reports required to be filed by Section 13 or 15(D) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No x

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

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

109,437,072 shares of common stock, par value \$.01, as of December 11, 2007.

Transitional Small Business Disclosure Format (check one):

Yes No x

Explanatory Note:

The purpose of this Form 10QSB/A is to amend the Quarterly Report on Form 10-QSB (the "Form 10-QSB") of Igene Biotechnology, Inc. (the "Company" or "Registrant") for its quarter ended March 31, 2007, as filed with the Securities and Exchange Commission on May 14, 2007. The Company historically when valuing the shares underlying the warrants of the Company, has applied a discount to the value of the shares based on the illiquidity of the shares, applying such things as blockage discounts to the value of the shares. Based on the application of illiquidity discounts the Company felt it was an immaterial adjustment to record a valuation to the shares underlying the warrants. The Company has determined to value the shares underlying the warrants from time to time in connection with the Company's issuance of promissory notes and convertible debentures using a Black Scholes model and ignoring any discounts for illiquidity of shares or blockage discounts.

The Company has historically reported the warrants issued in connection with the Notes as having zero value and has not recognized any discount on the Notes but rather recorded the full face value of the Notes as Long Term Debt in its consolidated financial statements. Using the Black Scholes model of valuation, the warrants would be valued with a corresponding amount of original issue discount on the Notes. The amortization of this discount over the term of the Notes has required the Registrant to revise its Condensed Consolidated Financial Statements and the accompanying notes thereto in order to, among other things, reflect an increase in Additional Paid in Capital, a decrease in Long Term Debt, an increase in Accumulated Deficit, an increase in Interest Expense and an increase in Net Loss and Net Loss per Common Share, for the three months ended March 31, 2007 and 2006, as shown in the Registrant's Condensed Consolidated Financial Statements and accompanying notes included in this amended form 10-QSB.

For the convenience of the reader, this Form 10-QSB/A sets forth the Form 10-QSB originally filed with the SEC on May 14, 2007 (the "Form 10-QSB") in its entirety. However, this Form 10-QSB/A only amends certain limited statements of the Form 10-QSB, and amends and restates the Registrant's 2007 and 2006 Condensed Consolidated Financial Statements previously filed with the Form 10-QSB, in each case, solely as a result of, and to reflect the changes described above relating to the valuation of the warrants and the resulting original issue discount, and no other information in the Form 10-QSB is amended hereby. The foregoing items have not been updated to reflect other events occurring after the original filing date of the Form 10-QSB or to modify or update those disclosures affected by subsequent events.

Except for the foregoing amended information and except for information provided on the cover page hereto, this Form 10-QSB/A continues to speak as of the original filing date of the Form 10-QSB, and the Company has not updated the disclosure contained herein to reflect events that occurred at a later date. Other events occurring after the filing of the Form 10-QSB or other disclosures necessary to reflect subsequent events are addressed, or will be addressed, in subsequent filings with the SEC.

FORM 10-QSB/A
IGENE Biotechnology, Inc.

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IGENE BIOTECHNOLOGY, INC.
QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

PART I

FINANCIAL INFORMATION

IGENE Biotechnology, Inc. and Subsidiary
Condensed Consolidated Balance Sheets
(Restated)

	March 31, 2007 (Unaudited)	December 31, 2006 (Note 1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,198	\$ 21,786
Prepaid expenses and other current assets	<u>9,833</u>	<u>14,093</u>
TOTAL CURRENT ASSETS	14,031	35,879
Property and equipment, net	28,898	33,571
Investment in and advances to unconsolidated joint venture	---	---
Other assets	<u>5,125</u>	<u>5,125</u>
TOTAL ASSETS	<u>\$ 48,054</u>	<u>\$ 74,575</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 131,035	\$ 210,424
Convertible debenture	---	705,000
Accrued interest	<u>---</u>	<u>46,570</u>
TOTAL CURRENT LIABILITIES	131,035	961,994
LONG-TERM DEBT		
Notes payable (Net of unamortized discount)	3,872,778	3,615,889
Convertible debentures (Net of unamortized discount)	2,960,249	2,103,444
Accrued interest	5,822,201	5,655,830
REDEEMABLE PREFERRED STOCK		
Carrying amount of redeemable preferred stock, 8% cumulative, convertible, voting, series A, \$.01 par value per share. Stated value was \$19.84 and \$19.68, respectively. Authorized 1,312,500 shares, issued and outstanding 11,134. Redemption amount \$220,899	<u>220,899</u>	<u>219,117</u>
TOTAL LIABILITIES	<u>13,007,162</u>	<u>12,556,274</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIENCY		
Common stock --- \$.01 par value per share. Authorized 750,000,000 shares; issued and outstanding 109,337,072 shares.	1,093,371	1,093,371
Additional paid-in capital	33,265,687	33,265,687
Accumulated deficit	<u>(47,318,166)</u>	<u>(46,840,757)</u>
TOTAL STOCKHOLDERS' DEFICIENCY	<u>(12,959,108)</u>	<u>(12,481,699)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	<u>\$ 48,054</u>	<u>\$ 74,575</u>

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

IGENE Biotechnology, Inc. and Subsidiary
Condensed Consolidated Statements of Operations
(Unaudited)
(Restated)

	<u>Three months ended</u>	
	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>
RECOUPMENT OF LOSS (EQUITY IN LOSS) OF JOINT VENTURE	\$ 58,956	\$ (189,902)
<u>OPERATING EXPENSES</u>		
Marketing and selling	1,892	42,811
Research, development and pilot plant	252,114	208,649
General and administrative	202,913	224,783
Less operating expenses reimbursed by Joint Venture	<u>(445,044)</u>	<u>(399,943)</u>
TOTAL OPERATING EXPENSES	<u>11,875</u>	<u>76,300</u>
OPERATING PROFIT (LOSS)	<u>47,081</u>	<u>(266,202)</u>
OTHER INCOME	6,382	---
INTEREST EXPENSE (including amortization of debt discount of \$351,694 and \$221,054, respectively)	<u>(530,872)</u>	<u>(427,453)</u>
NET LOSS	<u>\$ (477,409)</u>	<u>\$ (693,655)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>

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

IGENE Biotechnology, Inc. and Subsidiary
Condensed Consolidated Statements of Stockholders' Deficiency
(Unaudited)
(Restated)

	<u>Common Stock</u> <u>(shares/amount)</u>	<u>Additional</u> <u>Paid-in</u> <u>Capital</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Total</u> <u>Stockholders'</u> <u>Deficiency</u>
Balance at January 1, 2007	109,337,072 \$ 1,093,371	\$ 33,265,687	\$ (46,840,757)	\$ (12,481,699)
Net loss for the three months ended March 31, 2007	---	---	---	---
	---	---	---	---
Balance at March 31, 2007	<u>109,337,072</u>	<u>\$ 1,093,371</u>	<u>\$ 33,265,687</u>	<u>\$ (47,318,166)</u>
	<u>\$ (12,959,108)</u>			

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

IGENE Biotechnology, Inc. and Subsidiary
Condensed Consolidated Statements of Cash Flows (Restated)
(Unaudited)

	Three months ended	
	March 31, 2007	March 31, 2006
Cash flows from operating activities		
Net loss	\$ (477,409)	\$ (693,655)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Amortization of debt discount	351,694	221,054
Depreciation	4,673	4,673
Increase in preferred stock for cumulative dividend classified as interest	1,781	2,961
Manufacturing cost paid in shares of common stock	---	30,360
(Recoupment of payment) Equity in loss of joint venture	(58,956)	189,902
Decrease (increase) in:		
Accounts receivable	---	10,312
Prepaid expenses and other current assets	4,260	12,083
Increase (decrease) in:		
Accounts payable and accrued expenses	40,413	224,664
Net cash provided by (used in) operating activities	<u>(133,544)</u>	<u>2,354</u>
Cash flows from investing activities		
Recoupment of payment (advances) to Joint Venture	<u>58,956</u>	<u>(189,902)</u>
Net cash provided by (used in) investing activities	<u>58,956</u>	<u>(189,902)</u>
Cash flows from financing activities		
Proceeds from issuance of convertible debentures	762,000	---
Repayment of convertible debentures	(705,000)	---
Proceeds from exercise of warrants	---	788
Bank overdraft	---	61,715
Proceeds from exercise of employee stock options	<u>---</u>	<u>5,300</u>
Net cash provided by financing activities	<u>57,000</u>	<u>67,803</u>
Net decrease in cash and cash equivalents	(17,588)	(119,745)
Cash and cash equivalents at beginning of period	<u>21,786</u>	<u>119,745</u>
Cash and cash equivalents at end of period	<u>\$ 4,198</u>	<u>\$ 0</u>

Supplementary disclosure and cash flow information

Cash paid for interest	\$ 57,637	\$ ---
Cash paid for income taxes	---	---

See Note (4) for non-cash investing and financing activities.

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

IGENE Biotechnology, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements

(1) Unaudited consolidated financial statements

The March 31, 2007 consolidated financial statements presented herein are unaudited, and in the opinion of management, include all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of financial position, results of operations and cash flows. Such financial statements do not include all of the information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. This quarterly report on Form 10-QSB should be read in conjunction with Igene's restated Annual Report on Form 10-KSB/A for the year ended December 31, 2006. The December 31, 2006 consolidated balance sheet is derived from the audited balance sheet included therein.

(2) Nature of Operations

Igene Biotechnology, Inc. (the "Company" or "Igene") was incorporated under the laws of the State of Maryland on October 27, 1981 as "Industrial Genetics, Inc." Igene changed its name to "IGI Biotechnology, Inc." on August 17, 1983 and to "Igene Biotechnology, Inc." on April 14, 1986. Igene is located in Columbia, Maryland and is engaged in the business of industrial microbiology and related biotechnologies. Igene has operational subsidiaries in Norway and Chile. The Company is engaged in the business of developing, marketing, and manufacturing specialty ingredients for human and animal nutrition. Igene was formed to develop, produce and market value-added specialty biochemical products. Igene is a supplier of natural astaxanthin, an essential nutrient in various feed applications and a source of pigment for coloring farmed salmon species. Igene also supplies nutraceutical ingredients, as well as consumer ready health food supplements, including astaxanthin. Igene is focused on fermentation technology, pharmacology, nutrition and health in its marketing of products and applications worldwide.

Igene has devoted its resources to the development of proprietary processes to convert selected agricultural raw materials or feedstocks into commercially useful and cost effective products for the food, feed, flavor and agrochemical industries. In developing these processes and products, Igene has relied on the expertise and skills of its in-house scientific staff and, for special projects, various consultants.

In an effort to develop a dependable source of production, on March 19, 2003, Tate & Lyle PLC ("Tate & Lyle") and the Company announced a 50:50 joint venture to produce AstaXin® for the aquaculture industry. Production utilizes Tate & Lyle's fermentation capability together with the unique technology developed by Igene. Part of Tate & Lyle's existing Selby, England, citric acid facility has been modified to include the production of 1,500 tons per annum of this product. Tate & Lyle's investment of \$25 million includes certain of its facility assets currently used in citric acid production. Commercial production has commenced.

(3) Uncertainty

Igene has incurred net losses in each year of its existence, aggregating approximately \$47,318,000 from inception to March 31, 2007 and as of March 31, 2007, Igene's liabilities exceeded its assets by approximately \$12,959,000. These factors indicate that Igene may not be able to continue in existence unless it is able to raise additional capital and attain profitable operations.

As discussed in Subsequent Event (note 11) as of October 31, 2007 Igene has terminated its relationship with the Joint Venture with Tate & Lyle. Igene maintains the saleable inventory after the termination of the relationship and is currently reviewing alternatives for a future manufacturing alternative. In the interim Igene will sell the existing inventory in order to maintain its relationship with customers and use these funds to cover expenses.

IGENE Biotechnology, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(continued)

(4) Noncash investing and financing activities

During the three months ended March 31, 2007 and 2006, the Company recorded in each quarter dividends in arrears on 8% redeemable preferred stock accumulating at \$.16 per share aggregating to \$1,781 and \$2,961, respectively.

During the three months ended March 31, 2006, Fermic, Igene's manufacturing agent, earned 545,571 shares of common stock as part of the manufacturing agreement. Fermic earned 2,250 shares of common stock for each kilogram pure Astaxanthin produced and delivered as part of the agreement. The average price was based on the market value of the shares at the time the product was produced. With the distribution in the first quarter of 2006, Fermic has earned the 20,000,000 shares in total under the contract.

The 545,571 shares were earned at an average price of \$.056 per share. Through March 31, 2006, all 20,000,000 shares had been earned.

(5) Amendment to Long - Term Liabilities

Igene entered into Convertible Promissory Notes (the "Convertible Notes") with each of the following note holders for the following respective amounts (a) NorInnova AS (formerly Forskningsparken I Tromsø AS) for \$106,500; (b) Knut Gjernes for \$7,500; (c) Magne Russ Simenson for \$278,000; and (d) Nord Invest AS for \$313,000. Each of the Convertible Notes had a maturity date of November 1, 2004. On November 18, 2005, each of the Convertible Note Holders provided Igene with written notice of default under each of the Convertible Notes.

On November 29, 2006, the Convertible Note holders filed a complaint against the Company in the Circuit Court of Howard County, Maryland seeking payment of all outstanding amounts due under the Convertible Notes, the "Notes Litigation". On February 23, 2007, the Company paid \$762,638, representing the full amount due including interest, to the Convertible Note holders as settlement of all claims related to the Notes Litigation. The complaint was dismissed with prejudice on March 6, 2007.

In an attempt to settle the matter, the Note holders were offered the ability to extend the notes they held for a period of ten years at an interest rate of 5%. The conversion would be changed from the original debenture rate of \$.10 (ten cents) per share to the current market rate of \$.02 (two cents) per share. They rejected the offer.

The funds to settle the Notes Litigation were provided by Igene's directors using the terms offered above to the debenture holders. On February 15, 2007, Igene issued and sold \$762,000 in aggregate principal amount of 5% convertible debentures, 50% each to certain directors of Igene. These debentures are convertible into shares of Igene's common stock at \$.02 per share based on the offer made to the original debenture holders as the market price of Igene's shares at the time the debentures were agreed to. These debentures, if not converted earlier, become due on February 15, 2017.

(6) Joint Venture

On March 18, 2003, the Company entered into a Joint Venture Agreement with Tate & Lyle Fermentation Products Ltd. ("Tate"). Pursuant to a Joint Venture Agreement, the Company and Tate agreed to form a joint venture (the "Joint Venture") to manufacture, market and sell astaxanthin and derivative products throughout the world for all uses other than as a nutraceutical or otherwise for direct human consumption. Tate contributed \$24,600,000 in cash to the Joint Venture, while the Company transferred to the Joint Venture its technology relating to the production of astaxanthin and assets related thereto. These assets continue to be used by the Joint Venture in the same manner as historically used by the Company.

IGENE Biotechnology, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(continued)

The Company and Tate each have a 50% ownership interest in the Joint Venture and equal representation on the Board of Directors of the Joint Venture. The value of the Company's initial investment in the Joint Venture has been recorded at an amount equal to Igene's historical book value. As the cost of the Company's technology and intellectual property has been previously expensed and had a carrying amount of zero, the investment in the Joint Venture was originally recorded with a book value of \$316,869, which represents the unamortized production costs contributed to the Joint Venture. The Company also contributed \$6,000 to the capital of the Joint Venture.

Production utilizes Tate's fermentation capability together with the unique technology developed by Igene. Part of Tate's existing Selby, England, citric acid facility was modified to produce up to 1,500 tons per annum of this astaxanthin. Tate's investment of approximately \$25 million includes certain of its facility assets previously used in citric acid production. Sales and cost of sales activity are now recorded as part of the earnings of the unconsolidated venture.

As a result of the Joint Venture, the production, sales and marketing of astaxanthin now take place in the unconsolidated Joint Venture. From inception on March 18, 2003 through March 31, 2007, the Joint Venture's results of operations included the following: Gross profit from inception was a negative \$19,763,827 on sales of \$31,353,167, less manufacturing cost of \$51,116,994. Selling and general and administrative expenses were \$14,302,539, and interest expense was \$4,244,994. The resulting loss for such period was \$38,311,360. Igene's 50% portion of the Joint Venture loss was \$19,155,680 for such period.

Because the Company accounts for its investment in the Joint Venture under the equity method of accounting, it would ordinarily recognize a loss representing its 50% equity interest in the loss of the Joint Venture or the amount that is guaranteed by the Company, if any. However, losses in the Joint Venture are recognized only to the extent of the investment in and advances to the Joint Venture. Losses in excess of this amount are suspended from recognition in the financial statements and are carried forward to offset Igene's share of the Joint Venture's future income, if any.

On June 15, 2005, the Company executed a limited guarantee for one of the debt obligations of the Joint Venture owing to the Royal Bank of Scotland. Under the terms of the limited guarantee, the company agreed to guarantee up to 4,200,000 British pounds sterling. The Company subsequently entered into an agreement with Tate & Lyle (the other 50% partner in the Joint Venture) where by Tate & Lyle has agreed to arrange funds for the Joint Venture, without recourse to The Company, until the Joint Venture produces a regular monthly cash flow, as defined, for four consecutive months. As of May 1, 2007, the Joint Venture had not met the cash flow requirements. The Company has subsequently been released from the guarantee by the bank.

At March 31, 2007, prior to the recognition of its portion of the Joint Venture loss, Igene's investment in the Joint Venture consisted of \$322,869 and its net advances to the Joint Venture amounted to \$1,110,156, for a total of \$1,433,025. Through the year ended December 31, 2006, Igene recognized \$1,491,981 of its share of a \$15,922,400 loss. The remainder of \$14,430,419, was suspended and will be carried forward to offset Igene's share of earnings from the Joint Venture, if any. During the quarter ended March 31, 2007 the balance of funds due to Igene from the Joint Venture was reduced through repayments to Igene. This net repayment totaled \$58,956, and is treated as a recoupment of prior loss. In addition the JV incurred an additional loss of \$6,466,560, Igene's 50% share of this was \$3,233,280, the combination increased the suspended loss by \$3,292,236, during the quarter ended March 31, 2007. This brought the March 31, 2007 suspended loss to \$17,722,655. The balance in the advances to and investment in Joint Venture account on the Company's financial statements is zero at March 31, 2007.

IGENE Biotechnology, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(continued)

On March 29th, 2007 the Company was informed by their 50% partner in the Joint Venture, Tate and Lyle, that they determined to write down their portion of the investment in the Joint Venture. There has been no impairment charge reflected by the Joint Venture in the enclosed financial statements as they have not completed their annual impairment assessment as of March 31, 2007.

The following schedules display certain account balances of the Joint Venture as of March 31, 2007 and the period since initial investment at March 18, 2003 (inception):

	March 31, <u>2007</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,042,000
Accounts Receivable	4,229,000
Inventories	<u>10,491,000</u>
	15,762,000
OTHER ASSETS	
Property, plant and equipment, net	20,053,000
Intangibles	<u>24,614,000</u>
TOTAL ASSETS	<u><u>\$ 60,429,000</u></u>
LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 35,211,000
Working capital loan	<u>11,812,000</u>
TOTAL CURRENT LIABILITIES	47,023,000
Equity	<u>13,406,000</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 60,429,000</u></u>
	Period from March 18, 2003 (initial investment) to <u>March 31, 2007</u>
Net Sales	\$ 31,353,167
Less: manufacturing cost	<u>(51,116,994)</u>
Gross Profit (Loss)	(19,763,827)
Less: selling, general and administrative	<u>(14,302,539)</u>
Operating Loss	(34,066,366)
Interest Expense	<u>(4,244,994)</u>
Net Loss	<u><u>\$ (38,311,360)</u></u>
Igene's 50% equity interest in the net loss	\$ (19,155,680)
Igene's Investment in and Advances to the Joint Venture	<u>(1,433,025)</u>
Igene's suspended loss	<u><u>\$ (17,722,655)</u></u>

IGENE Biotechnology, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(continued)

	Quarter ended March 31, 2007	Quarter ended March 31, 2006
Net Sales	\$ 3,580,288	\$ 3,190,139
Less: manufacturing cost	<u>(8,178,136)</u>	<u>(3,348,894)</u>
Gross Profit (Loss)	(4,597,848)	(158,755)
Less: selling, general and administrative	<u>(1,212,252)</u>	<u>(1,104,719)</u>
Operating Loss	(5,810,100)	(1,263,474)
Interest Expense	<u>(656,460)</u>	<u>(700,900)</u>
Net Loss before taxes	(6,466,560)	(1,964,374)
Tax Expense	<u>---</u>	<u>(1,205,900)</u>
Net Loss before taxes	<u>\$ (6,466,560)</u>	<u>\$ (3,170,274)</u>
Igene's 50% equity interest in the net loss	\$ (3,233,280)	\$ (1,585,137)
Igene's additional Recoupment from (Investment in and Advances to) the Joint Venture	<u>58,956</u>	<u>(189,902)</u>
Igene's incremental suspended loss	<u>\$ (3,292,236)</u>	<u>\$ (1,395,235)</u>

(7) Stockholders' Deficiency

As of March 31, 2007, 22,268 shares of authorized but unissued common stock were reserved for issue upon conversion of the Company's outstanding preferred stock.

As of March 31, 2007, 72,232,334 shares of authorized but unissued common stock were reserved for distribution and exercise pursuant to the Company's Employee Stock Option Plans.

As of March 31, 2007, 23,421,273 shares of authorized but unissued common stock were reserved for the conversion of outstanding convertible promissory notes held by directors of the Company in the aggregate amount of 1,082,500.

As of March 31, 2007, 66,427,651 shares of authorized but unissued common stock were reserved for the conversion of outstanding convertible promissory notes held by directors of the Company.

As of March 31, 2007 38,250,000 shares of authorized but unissued common stock were reserved for the conversion of outstanding convertible promissory notes issued as part of the settlement of the ProBio notes.

As of March 31, 2007, 205,261,073 shares of authorized but unissued common stock were reserved for the exercise of outstanding warrants.

(8) Basic and diluted net loss per common share

Basic and diluted net loss per common share for the three-month periods ended March 31, 2007 and 2006 are based on 109,337,072 and 107,561,565, respectively, of weighted average common shares outstanding. No adjustment has been made for any common stock equivalents outstanding because their effects would be antidilutive. As of March 31, 2007 and 2006, potentially dilutive shares totaled 405,614,599 and 380,841,782, respectively.

IGENE Biotechnology, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(continued)

(9) Income Taxes

The Company uses the liability method of accounting for income taxes as required by SFAS No. 109, "Accounting for Income Taxes". Under the liability method, deferred-tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities (i.e., temporary differences) and are measured at the enacted rates that will be in effect when these differences reverse. Deferred income taxes will be recognized when it is deemed more likely than not that the benefits of such deferred income taxes will be realized; accordingly, all net deferred income taxes have been eliminated by a valuation allowance.

(10) Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Number 157 - Fair Value Measurements ("SFAS157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements.

Prior to SFAS 157, there were different definitions of fair value and limited guidance for applying those definitions in GAAP. Moreover, that guidance was dispersed among the many accounting pronouncements that require fair value measurements. SFAS 157 clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, that SFAS 157 will have on its financial position, results of operations and cash flows.

In June 2006, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards Board Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109." FIN No. 48 provides a comprehensive model for the recognition, measurement and disclosure in the financial statements of uncertain tax positions taken or expected to be taken on a tax return. The Company adopted FIN No. 48 effective January 1, 2007. The interpretation had no impact on financial position, results of operations, earnings per share, or cash flows.

In September 2006, the Securities and Exchange Commission issued SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 was issued to address diversity in practice in quantifying financial statement misstatements. Current practice allows for the evaluation of materiality on the basis of either (1) the error quantified as the amount by which the current year income statement was misstated ("rollover method") or (2) the cumulative error quantified as the cumulative amount by which the current year balance sheet was misstated ("iron curtain method"). The guidance provided in SAB 108 requires both methods to be used in evaluating materiality ("dual approach"). SAB No. 108 permits companies to initially apply its provisions either by (1) restating prior financial statements as if the dual approach had always been used or (2) recording the cumulative effect of initially applying the "dual approach" as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. There were no matters warranting the Company's consideration under the provisions of SAB No. 108 and, therefore, it did not have an impact on the Company's financial position, results of operations, earnings per share or cash flows.

IGENE Biotechnology, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(continued)

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115." This Standard allows entities to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities (as well as certain nonfinancial instruments that are similar to financial instruments) at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, the Statement specifies that all subsequent changes in fair value for that instrument shall be reported in earnings. SFAS No. 159 is effective beginning on January 1, 2008. We are currently evaluating the impact this new Standard could have on our financial position and results of operations.

(11) Subsequent Event

On October 31, 2007, Igene Biotechnology, Inc. (the "Company") and Tate & Lyle Fermentation Products Ltd. ("T&L") entered into a Separation Agreement (the "Agreement") pursuant to which the Joint Venture Agreement dated March 19, 2003, as amended, between the parties (the "Joint Venture") was terminated. As part of the Agreement, the Company sold to T&L its 50% interest in the joint venture and the joint venture sold to the Company its intellectual property, inventory and certain assets and lab equipment utilized by the Joint Venture. The purchase price paid by T&L to the Company for its 50% interest was 50% of the Joint Venture's net working capital. The purchase price paid by the Company for the inventory was an amount equal to 50% of the joint venture's net working capital, the assumption of various liabilities and the current market price of the inventory, less specified amounts. The purchase price paid by the Company for the intellectual property was \$1.00. The purchase price paid by the Company for the assets and lab equipment was \$1,000,000. In addition, the Company agreed to pay to T&L an amount equal to 5% of the Company's gross revenues from the sale of astaxanthin up to a maximum of \$5,000,000. T&L agreed for a period of five years not to engage in the astaxanthin business.

(12) RESTATEMENT – Quarters ended March 31, 2007 and 2006

The Company has historically reported the warrants issued in connection with the Notes as having zero value and has not recognized any discount on the Notes but rather recorded the full face value of the Notes as Long Term Debt in its consolidated financial statements. The restatement is based on the Company's using a Black Scholes model and ignoring any discounts for illiquidity of shares or blockage discounts. The warrants are valued with a corresponding amount of discount on the Notes. The amortization of this discount over the term of the Notes has required the Registrant to revise its Condensed Consolidated Financial Statements and the accompanying notes thereto in order to, among other things, reflect an increase in Additional Paid in Capital, a decrease in Long Term Debt, an increase in Accumulated Deficit, an increase in Interest Expense and an increase in Net Loss and Net Loss per Common Share, for the quarters ended March 31, 2007 and 2006. The following presents the effect of the restatement on the Condensed Consolidated Balance Sheet and Income Statements. There was no change to the cash flows from operations for any of the periods.

IGENE Biotechnology, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(continued)

	Previously Reported March 31, 2007	<u>Restatement</u>	Restated March 31, 2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,198		\$ 4,198
Accounts receivable	3,750		3,750
Prepaid expenses and other current assets	<u>6,083</u>		<u>6,083</u>
TOTAL CURRENT ASSETS	14,031		14,031
Property and equipment, net	28,898		28,898
Investment in and advances to unconsolidated joint venture	---		---
Other assets	<u>5,125</u>		<u>5,125</u>
TOTAL ASSETS	<u>\$ 48,054</u>		<u>\$ 48,054</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	<u>\$ 131,035</u>		<u>\$ 131,035</u>
TOTAL CURRENT LIABILITIES	131,035		131,035
LONG-TERM DEBT			
Notes payable (Net of discount)	5,842,267	(1,969,489)	3,872,778
Convertible debentures (Net of discount)	4,576,212	(1,615,963)	2,960,249
Accrued interest	5,822,201		5,822,201
REDEEMABLE PREFERRED STOCK			
Carrying amount of redeemable preferred stock, 8% cumulative, cumulative convertible, voting, series A, \$.01 par value per share. Stated value was \$19.84. Authorized 1,312,500 shares, issued 11,134	<u>220,899</u>	---	<u>220,899</u>
TOTAL LIABILITIES	<u>16,592,614</u>	<u>(3,585,452)</u>	<u>13,007,162</u>
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' DEFICIENCY			
Common stock --- \$.01 par value per share. Authorized 750,000,000 shares; issued and outstanding 109,337,042.	1,093,371		1,093,371
Additional paid-in capital	25,659,696	7,605,991	33,265,687
Accumulated Deficit	<u>(43,297,627)</u>	<u>(4,020,539)</u>	<u>(47,318,166)</u>
TOTAL STOCKHOLDERS' DEFICIENCY	<u>(16,544,560)</u>	<u>3,585,452</u>	<u>(12,959,108)</u>
TOTAL LIABILITIES AND DEFICIENCY	<u>\$ 48,054</u>		<u>\$ 48,054</u>

IGENE Biotechnology, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(continued)

	Reported Quarter March 31, <u>2007</u>	<u>Restatement</u>	Restated Quarter March 31, <u>2007</u>
RECOUPMENT OF LOSS OF JOINT VENTURE	\$ 58,956		\$ 58,956
<u>OPERATING EXPENSES</u>			
Marketing and selling	1,892		1,892
Research, development and pilot plant	252,114		252,114
General and administrative	202,913		202,913
Operating expenses reimbursed by Joint Venture	<u>(445,044)</u>		<u>(445,044)</u>
TOTAL OPERATING EXPENSES	<u>11,875</u>		<u>11,875</u>
OPERATING PROFIT	<u>47,081</u>		<u>47,081</u>
OTHER INCOME	6,382		6,382
INTEREST EXPENSE			
(including amortization of debt discount of \$351,694)	<u>(179,178)</u>	<u>(351,694)</u>	<u>(530,872)</u>
NET LOSS	<u>\$ (125,715)</u>	<u>\$ (351,694)</u>	<u>\$ (477,409)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
	Reported Quarter March 31, <u>2006</u>	<u>Restatement</u>	Restated Quarter March 31, <u>2006</u>
EQUITY IN LOSS OF JOINT VENTURE	\$ (189,902)		\$ (189,902)
<u>OPERATING EXPENSES</u>			
Marketing and selling	42,811		42,811
Research, development and pilot plant	208,649		208,649
General and administrative	224,783		224,783
Operating expenses reimbursed by Joint Venture	<u>(399,943)</u>		<u>(399,943)</u>
TOTAL OPERATING EXPENSES	<u>76,300</u>		<u>76,300</u>
OPERATING LOSS	<u>(266,202)</u>		<u>(266,202)</u>
INTEREST EXPENSE			
(including amortization of debt discount of \$221,054)	<u>(206,399)</u>	<u>(221,054)</u>	<u>(427,453)</u>
NET LOSS	<u>\$ (472,601)</u>	<u>\$ (221,054)</u>	<u>\$ (693,655)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>

**IGENE Biotechnology, Inc. and Subsidiary
Management's Discussion and Analysis of
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CAUTIONARY STATEMENTS FOR PURPOSES OF "SAFE HARBOR PROVISIONS" OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

EXCEPT FOR HISTORICAL FACTS, ALL MATTERS DISCUSSED IN THIS REPORT, WHICH ARE FORWARD LOOKING, INVOLVE A HIGH DEGREE OF RISK AND UNCERTAINTY. CERTAIN STATEMENTS IN THIS REPORT SET FORTH MANAGEMENT'S INTENTIONS, PLANS, BELIEFS, EXPECTATIONS OR PREDICTIONS OF THE FUTURE BASED ON CURRENT FACTS AND ANALYSES. WHEN WE USE THE WORDS "BELIEVE," "EXPECT," "ANTICIPATE," "ESTIMATE," "INTEND" OR SIMILAR EXPRESSIONS, WE INTEND TO IDENTIFY FORWARD-LOOKING STATEMENTS. YOU SHOULD NOT PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE INDICATED IN SUCH STATEMENT, DUE TO A VARIETY OF FACTORS, RISKS AND UNCERTAINTIES. POTENTIAL RISKS AND UNCERTAINTIES INCLUDE, BUT ARE NOT LIMITED TO, COMPETITIVE PRESSURES FROM OTHER COMPANIES WITHIN THE BIOTECH AGRICULTURE AND AQUACULTURE INDUSTRIES, ECONOMIC CONDITIONS IN THE COMPANY'S PRIMARY MARKETS, EXCHANGE RATE FLUCTUATIONS, REDUCED PRODUCT DEMAND, INCREASED COMPETITION, INABILITY TO PRODUCE REQUIRED CAPACITY, UNAVAILABILITY OF FINANCING, GOVERNMENT ACTION, WEATHER CONDITIONS AND OTHER UNCERTAINTIES, INCLUDING THOSE DETAILED IN "RISK FACTORS" THAT ARE INCLUDED FROM TIME-TO-TIME IN THE COMPANY'S SECURITIES AND EXCHANGE COMMISSION FILINGS.

Critical Accounting Policies

The preparation of our financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make judgments, assumptions and estimates that affect the amounts reported in such financial statements and accompanying notes. Actual results could differ materially from those estimates. The following are critical accounting policies important to our financial condition and results presented in the financial statements and require management to make judgments and estimates that are inherently uncertain:

The Joint Venture inventories are stated at the lower of cost or market. Cost is determined using a weighted-average approach, which approximates the first-in first-out method. If the cost of the inventories exceeds their expected market value, provisions are recorded for the difference between the cost and the market value. Inventories consist of currently marketed products.

The Joint Venture recognizes revenue from product sales when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed and determinable, and collectibility is reasonably assured. Allowances are established for estimated uncollectible amounts, product returns and discounts.

The investment in the Joint Venture is accounted for under the equity method whereby the Company's 50% ownership percentage in the Joint Venture's equity is reflected as an asset and the changes in the Joint Venture's equity as a result of its operations is reflected in the Company's consolidated statement of operations subject to certain limitations. Igene's share of losses in the Joint Venture are recognized only to the extent of Igene's consideration paid for its initial investment in the Joint Venture and any net advances Igene has made to the Joint Venture. Losses in excess of this amount are suspended from recognition in the financial statements and carried forward to offset Igene's share of the Joint Venture future income, if any. Income in the future, if any, will only be recognized once all previously deferred losses have been exhausted and advances repaid. The Company evaluates its investment in the Joint Venture for impairment, as it does for all other assets. The accounting policies followed by the Joint Venture are in conformity with accounting principals generally accepted in the United States of America.

On June 15th 2005, the Company executed a limited guarantee for one of the debt obligations of the Joint Venture. Under the terms of the limited guarantee, the Company guaranteed repayment by the Joint Venture to the Royal Bank of Scotland of 4,200,000 British pounds sterling. The Company subsequently entered into an agreement with Tate & Lyle (the other 50% partner in the Joint Venture) where Tate & Lyle has agreed to arrange funds for the Joint Venture, without recourse to the Company until the Joint Venture produces a regular monthly cash flow, as defined, for four consecutive months. As of May 1, 2007, the Joint Venture had not met the cash flow requirements. The Company has subsequently been released from the guarantee by the bank.

**IGENE Biotechnology, Inc. and Subsidiary
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(continued)**

The Joint Venture entered into a lease of real property with an affiliate of Tate & Lyle in Selby, England upon which the manufacturing facility is being completed and operated by the Joint Venture.

Results of Operations

Sales and other revenue

As part of the Joint Venture agreement, all sales are recognized through the Joint Venture. Therefore, Igene recorded no sales of AstaXin® since the inception of the Joint Venture on March 18, 2003.

Management anticipates that the Joint Venture with Tate & Lyle will provide a more dependable product flow. However, there can be no assurance of the dependability of production, or that any increases in production or sales will occur, or that if they occur, they will be material.

Cost of sales and gross profit

As with Sales Revenue, future Cost of Sales and Gross Profit is recognized through the Joint Venture. As a result, Igene reported no gross profit on sales of AstaXin® since the inception of the Joint Venture. The Company attributes poor or negative gross profit to a combination of pricing pressure in the market and inefficiencies in production. Management expects that sales and gross profits may continue to be limited by production inefficiency resulting from process research and development. Management expects the level of gross profit to improve in the future as production efficiency is realized from the Joint Venture offsetting pricing competition, but can provide no assurances of future increased production or future profits.

Additionally no cost of sales were recorded as they are also recorded as part of the Joint Venture activity.

Marketing and selling expenses

For the quarters ended March 31, 2007 and 2006, Igene recorded marketing and selling expense in the amount of \$1,892 and \$42,811, respectively, a decrease of \$40,919 or 96%. Over the past year, the majority of the marketing and selling expenses are being incurred directly by the Joint Venture rather than being incurred by Igene and then reimbursed by the Joint Venture. It is expected that this level of marketing and selling expense will be constant as the Joint Venture assumes the marketing and sales function, based on the current level of salable product currently available. As a result of the Joint Venture, Igene is expecting an increase in salable product with a corresponding increase in sales costs incurred at the Joint Venture. These expenses have been reimbursed to Igene by the Joint Venture. However no assurances can be made with regard to increased production from the Joint Venture or the likelihood of future reimbursements.

Research, development and pilot plant expenses

For the quarters ended March 31, 2007 and 2006, Igene recorded research and development costs in the amount of \$252,114 and \$208,649, respectively, an increase of \$43,465 or 21%. It is expected these costs will remain at current increased levels in support of increasing the efficiency of the manufacturing process through experimentation in the Company's pilot plant, developing higher yielding strains of yeast and other improvements in the Company's AstaXin® technology. These costs are currently funded through reimbursement from the Joint Venture. Igene is hoping this will lead to an increase in salable product at a reduced cost to the Joint Venture. However, no assurances can be made in that regard or with respect to future reimbursements from the Joint Venture.

**IGENE Biotechnology, Inc. and Subsidiary
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(continued)**

Operating expenses

General and administrative expenses for the quarter ended March 31, 2007 and 2006 were \$202,913 and \$224,783 respectively, a decrease of \$21,870 or 10%. These costs are expected to remain constant, at the current level. Igene works to keep overhead costs at a reduced level and spend funds on research and development efforts. A portion of this cost is funded by reimbursement through the Joint Venture and the remainder will need to be funded through profitable operations or through contributions from directors; though neither of these can be assured.

Expenses reimbursement by Joint Venture

As part of the Joint Venture agreement, costs incurred by Igene related to production, research and development, as well as those costs related to the marketing of AstaXin®, are considered costs of the Joint Venture and therefore are reimbursed by the Joint Venture. For the quarter ended March 31, 2007, costs reimbursed by the Joint Venture totaled \$445,044. The costs covered \$1,892 of marketing costs, \$252,114 of research and development costs and \$191,038 of general and administrative costs. For the quarter ended March 31, 2006, costs reimbursed by the Joint Venture totaled \$399,943. The costs covered \$42,811 of marketing costs, \$208,649 of research and development costs and \$148,483 of general and administrative costs. Igene can provide no assurance of future reimbursements.

Interest expense

Interest expense for the quarters ended March 31, 2007 and 2006, was \$530,872 and \$427,453, respectively, an increase of \$103,419 or 24%. The interest expense was composed of interest on the Company's long term financing from its directors and other stockholders, and interest on the Company's subordinated debenture in both periods, as well as amortization of discount on Igene's notes and debentures of \$351,694 for the quarter ended March 31, 2007 and \$221,054 for the quarter ended March 31, 2006.

Equity in earnings of unconsolidated Joint Venture

As a result of the Joint Venture, the production, sales and marketing of astaxanthin now take place in the unconsolidated Joint Venture. From inception on March 18, 2003 through March 31, 2007, the Joint Venture's results of operations included the following: Gross profit from inception was a negative \$19,763,827 on sales of \$31,353,167, less manufacturing cost of \$51,116,994. Selling and general and administrative expenses were \$14,302,539, and interest expense was \$4,244,994. The resulting loss was \$38,311,360. Igene's 50% portion of the Joint Venture loss was \$19,155,680.

Because the Company accounts for its investment in the Joint Venture under the equity method of accounting, it would ordinarily recognize a loss representing its 50% equity interest in the loss of the Joint Venture or the amount that is guaranteed by the Company, if any. However, losses in the Joint Venture are recognized only to the extent of the investment in and advances to the Joint Venture. Losses in excess of this amount are suspended from recognition in the financial statements and are carried forward to offset Igene's share of the Joint Venture's future income, if any.

On June 15, 2005, the Company executed a limited guarantee for one of the debt obligations of the Joint Venture owed to the Royal Bank of Scotland. Under the terms of the limited guarantee, the Company agreed to guarantee up to 4,200,000 British pounds sterling. The Company subsequently entered into an agreement with Tate & Lyle (the other 50% partner in the Joint Venture) where Tate & Lyle has agreed to arrange funds for the Joint Venture, without recourse to Igene Biotechnology, Inc., until the Joint Venture produces a regular monthly cash flow, as defined, for four consecutive months. As of May 1, 2007, the Joint Venture had not met the cash flow requirements. The Company has subsequently been released from the guarantee by the bank.

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At March 31, 2007, prior to the recognition of its portion of the Joint Venture loss, Igene's investment in the Joint Venture consisted of \$322,869 and its net advances to the Joint Venture amounted to \$1,110,156, for a total of \$1,433,025. Through the year ended December 31, 2006, Igene recognized \$1,491,981 of its share of a \$15,922,400 loss. The remainder of \$14,430,419, was suspended and will be carried forward to offset Igene's share of earnings from the Joint Venture, if any. During the quarter ended March 31, 2007 the balance of funds due to Igene from the Joint Venture was reduce through repayments to Igene. This net repayment totaled \$58,956. This amount is treated as a recoupment of prior loss and added back to the \$14,430,419 suspended loss. In addition the JV incurred an additional loss of \$6,466,560, Igene's 50% share of this was \$3,233,280, the combination increased the suspended loss by \$3,292,236, during the quarter ended March 31, 2007. This brought the March 31, 2007 suspended loss to \$17,722,655. The balance in the advances to and investment in Joint Venture account on the Company's financial statements is zero at March 31, 2007.

Net loss and basic and diluted net loss per common share

As a result of the foregoing, the Company reported net losses of \$477,409 and \$693,655, respectively, for the quarters ended March 31, 2007 and 2006, a decrease in the loss of \$216,246 or 31%. This represents a loss of \$0.00 and \$0.01 per basic and diluted common share for the quarters ended March 31, 2007 and 2006, respectively. The weighted average number of shares of common stock outstanding of 109,337,072 and 107,561,566 for the quarters ended March 31, 2007 and 2006, respectively, has increased by 1,775,506 shares. The increase in outstanding shares resulted from primarily from the weighted average adjustment of the issuance 545,569 shares to Igene's manufacturer under the manufacturing agreement with Fermic, and 1,000,000 shares of common stock were issued to the Company's new Vice President of Manufacturing as part of his agreement in accepting the position.

Financial Position

During the quarters ended March 31, 2007 and 2006, in addition to the matters previously discussed, the following actions also materially affected the Company's financial position:

- Increases in accounts payable and accrued expense for the quarter ended March 31, 2007 of \$40,413 was a source of cash, in addition to a net decrease in prepaid expense of \$4,260;
- The carrying value of redeemable preferred stock was increased and interest expense recorded in the amounts of \$1,781 in 2007, reflecting cumulative unpaid dividends on redeemable preferred stock.
- Net proceeds of borrowing provided \$57,000 in net cash provided by financing activities. These funds were used to pay outstanding interest in the settlement of the Notes Litigation referenced in Section 4, entitled "Amendment to Long-Term Liabilities."

In December 1988, as part of an overall effort to contain costs and conserve working capital, Igene suspended payment of the quarterly dividend on its preferred stock. Resumption of the dividend will require significant improvements in cash flow. Unpaid dividends cumulate for future payment or addition to the liquidation preference or redemption value of the preferred stock. As of March 31, 2007, total dividends in arrears on Igene's preferred stock total \$131,827 (\$11.84 per share) and are included in the carrying value of the redeemable preferred stock.

Liquidity and Capital Resources

Historically, Igene has been funded primarily by equity contributions and loans from stockholders. As of March 31, 2007, Igene had negative working capital of \$117,004, and cash and cash equivalents of \$4,198. Currently Igene is also funded by research and development and selling, general and administrative expense reimbursements from the Joint Venture.

Cash used by operating activities during the three-month period ended March 31, 2007 equaled \$133,544 versus cash provided by operating activities of \$2,354 for the three-month period ended March 31, 2006.

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Cash provided by investing activities during the three-month period ended March 31, 2007 equaled \$58,956 versus cash used by investing activities of \$189,902 for the three-month period ended March 31, 2006.

Cash provided by financing activities was \$57,000 during the first quarter of 2007, in settlement of the convertible debentures and used in payment of interest on those notes. Cash provided by financing activities was \$67,803 during the first quarter of 2006, this was due primarily to employee stock options exercised and bank overdraft.

Over the next twelve months, Igene believes it will need additional working capital. Igene hopes to achieve profits from sales of AstaXin® through the Joint Venture. However, there can be no assurance that projected profits, if any, from sales, or additional funding from the Joint Venture will be sufficient for Igene to fund its continued operations.

The Company does not believe that inflation had a significant impact on its operations during the three-month periods ended March 31, 2007 and 2006.

Subsequent Event

On October 31, 2007, Igene Biotechnology, Inc. (the "Company") and Tate & Lyle Fermentation Products Ltd. ("T&L") entered into a Separation Agreement (the "Agreement") pursuant to which the Joint Venture Agreement dated March 19, 2003, as amended, between the parties (the "Joint Venture") was terminated. As part of the Agreement, the Company sold to T&L its 50% interest in the joint venture and the joint venture sold to the Company its intellectual property, inventory and certain assets and lab equipment utilized by the Joint Venture. The purchase price paid by T&L to the Company for its 50% interest was 50% of the Joint Venture's net working capital. The purchase price paid by the Company for the inventory was an amount equal to 50% of the joint venture's net working capital, the assumption of various liabilities and the current market price of the inventory, less specified amounts. The purchase price paid by the Company for the intellectual property was \$1.00. The purchase price paid by the Company for the assets and lab equipment was \$1,000,000. In addition, the Company agreed to pay to T&L an amount equal to 5% of the Company's gross revenues from the sale of astaxanthin up to a maximum of \$5,000,000. T&L agreed for a period of five years not to engage in the astaxanthin business. As a result of the above transaction Igene will now record all sales activity that had subsequently been recorded by the JV and will no longer be receiving any marketing reimbursement.

Controls and Procedures

Item 3

Evaluation of Disclosure Controls and Procedures. Our management has evaluated, with the participation of our Chief Executive Officer and our principal financial and accounting officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-QSB/A. Based upon the evaluation, the Chief Executive Officer and the principal financial and accounting officer have concluded that as of the end of such fiscal quarter, our current disclosure controls and procedures were not effective, because of material weaknesses in the internal control over financial reporting described below. We have taken, and are continuing to take, steps to address these weaknesses as described below. With the exception of such weaknesses, however, the Chief Executive Officer and principal financial and accounting officer believe that our current disclosure controls and procedures are adequate to ensure that information required to be disclosed in the reports we file under the Exchange Act is recorded, processed, summarized and reported on a timely basis.

**IGENE Biotechnology, Inc. and Subsidiary
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Material Weaknesses and Changes in Internal Controls. During the review of our financial statements for the three and six-month periods ended June 30, 2007, our current independent registered public accounting firm identified as a material weakness our procedure regarding our internal controls over the non-routine recording of warrants issued in connection with certain of our debt obligations. The procedure of valuation is one that the company has always followed and has been reported in the company's previous audited and unaudited financial statements. As defined by the Public Company Accounting Oversight Board Auditing Standard No. 5, a material weakness is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected. Since this was identified as a material weakness by our current independent registered public accounting firm in connection with its review of the financial statements in the June 30, 2007, Form 10-QSB, the transactions subject to these issues are correctly accounted for and disclosed by us in the financial statements included in this Form 10-QSB/A. However, on a going forward basis, management will continue to evaluate our internal controls over the non-routine recording of warrants issued in connection with certain of our debt obligations in order to prevent the recurrence of the circumstance that resulted in the material weakness identified in connection with the review of the financial statements in this Form 10-QSB/A.

There were no changes in Igene's internal control over financial reporting identified in connection with our evaluation of these controls during the period covered by this report that could have significantly affected those controls subsequent to the date of the evaluation referred to in the previous paragraph, including any correction action with regard to significant deficiencies and material weaknesses.

IGENE Biotechnology, Inc. and Subsidiary
PART II
OTHER INFORMATION

Item 1. Notes Litigation

On November 29, 2006, the Convertible Note holders filed a complaint against the Company in the Circuit Court of Howard County, Maryland seeking payment of all outstanding amounts due under the Convertible Notes, the “Notes Litigation”. On February 23, 2007, the Company paid \$762,638, including interest, the full amount due, to the Convertible Note holders as settlement of all claims related to the Notes Litigation. The complaint was dismissed with prejudice on March 6, 2007.

In an attempt to settle the matter, the Note holders were offered the ability to extend the notes they held for a period of ten years at an interest rate of 5%. The conversion would be changed from the original debenture rate of \$.10 (ten cents) per share to the current market rate of \$.02 (two cents) per share. They rejected the offer.

The funds to settle the Notes Litigation were provided by Igene’s directors using the terms offered above to the debenture holders. On February 15, 2007, Igene issued and sold \$762,000 in aggregate principal amount of 5% convertible debentures, 50% each to certain directors of Igene. These debentures are convertible into shares of Igene’s common stock at \$.02 per share based on the offer made to the original debenture holders as the market price of Igene’s shares at the time the debentures were agreed to. These debentures, if not converted earlier, become due on February 15, 2017.

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

Convertible Debentures to Settle Litigation

The funds to settle the Notes Litigation were provided by Igene’s directors using the terms offered above to the debenture holders. On February 15, 2007, Igene issued and sold \$762,000 in aggregate principal amount of 5% convertible debentures, 50% each to certain directors of Igene. These debentures are convertible into shares of Igene’s common stock at \$.02 per share based on the offer made to the original debenture holders as the market price of Igene’s shares at the time the debentures were agreed to. These debentures, if not converted earlier, become due on February 15, 2017. For more information, see Notes Litigation referenced in Section 4, entitled “Amendment to Long – Term Liabilities.”

Limitation on Payment of Dividends

Dividends on Common Stock are currently prohibited because of the preferential rights of holders of Preferred Stock. The Company has paid no cash dividends on its Common Stock in the past and does not intend to declare or pay any dividends on its Common stock in the foreseeable future.

Item 3. Defaults Upon Senior Securities.

In December 1988, as part of an overall effort to contain costs and conserve working capital, the Company suspended payment of the quarterly dividend on its preferred stock. Resumption of the dividend will require significant improvements in cash flow. Unpaid dividends cumulate for future payment or addition to the liquidation preference or redemption value of the preferred stock. As of March 31, 2007, total dividends in arrears on the Company's preferred stock total \$131,827 (\$11.84 per share) and are included in the carrying value of the redeemable preferred stock.

IGENE Biotechnology, Inc. and Subsidiary
PART II
OTHER INFORMATION
(continued)

Item 6. Exhibits

(a) Exhibits

Exhibit 3.1 – Articles of Incorporation of the Registrant, as amended to date, constituting Exhibit 3.1 to Registration Statement No. 333-41581 on Form SB-2 are hereby incorporated herein by reference.

Exhibit 3.2 – By-Laws of the Registrant, as amended to date, constituting Exhibit 3.2 to the Registrant's Registration Statement No. 33-5441 on Form S-1, are hereby incorporated herein by reference.

Exhibit 31(a) – Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)

Exhibit 31(b) – Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)

Exhibit 32(a) – Certification of Chief Executive Officer pursuant to 18 U.S.C. SECTION 1350.

Exhibit 32(b) – Certification of Chief Financial Officer pursuant to 18 U.S.C. SECTION 1350.

SIGNATURES

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

IGENE BIOTECHNOLOGY, INC.
(Registrant)

Date	<u>December 11, 2007</u>	By	<u>/S/ STEPHEN F. HIU</u> STEPHEN F. HIU President
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Date	<u>December 11, 2007</u>	By	<u>/S/ EDWARD J. WEISBERGER</u> EDWARD J. WEISBERGER Chief Financial Officer
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EXHIBIT INDEX

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Exhibit 32(a) – Certification of Chief Executive Officer pursuant to 18 U.S.C. SECTION 1350.

Exhibit 32(b) – Certification of Chief Financial Officer pursuant to 18 U.S.C. SECTION 1350.

Exhibit 31(a)

CERTIFICATIONS

I, Stephen F. Hiu, certify that:

1. I have reviewed this quarterly report on Form 10Q-SB/A of IGENE Biotechnology, 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: December 11, 2007

/S/ STEPHEN F. HIU

STEPHEN F. HIU
President

Exhibit 31(b)

CERTIFICATIONS

I, Edward J. Weisberger, certify that:

1. I have reviewed this quarterly report on Form 10Q-SB/A of IGENE Biotechnology, 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: December 11, 2007

/S/ EDWARD J. WEISBERGER

EDWARD J. WEISBERGER
Chief Financial Officer

Exhibit 32(a)

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

In connection with the IGENE Biotechnology, Inc. (the "Company") Quarterly Report on Form 10-QSB/A for the period ended March 31, 2007, as filed with the Securities and Exchange Commission (the "Report"), I, Stephen F. Hiu, President 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, to the best of my knowledge:

- (1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: December 11, 2007

By: /S/ STEPHEN F. HIU
STEPHEN F. HIU
President

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

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

In connection with the IGENE Biotechnology, Inc. (the "Company") Quarterly Report on Form 10-QSB/A for the period ended March 31, 2007 as filed with the Securities and Exchange Commission (the "Report"), I, Edward J. Weisberger, 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, to the best of my knowledge:

- (1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: December 11, 2007

By: /S/ EDWARD J. WEISBERGER
EDWARD J. WEISBERGER
Chief Financial Officer

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