

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

☐ TRANSITION REPORT PURSUANT TO 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 registrant 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

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

Yes ☐ No ☒

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☒ No ☐

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

There were 1,565,404,297 shares of common stock, par value \$0.01, issued and outstanding as of August 10, 2010.

FORM 10-Q
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

Item 1. Financial Statements**IGENE Biotechnology, Inc. and Subsidiary
Consolidated Balance Sheets**

	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 977,381	\$ 1,295,222
Accounts receivable	1,929	1,929
Due from Naturxan	1,992,206	2,318,085
Prepaid expenses and other current assets	<u>11,147</u>	<u>44,452</u>
TOTAL CURRENT ASSETS	2,982,663	3,659,688
Property and equipment, net	784,644	852,894
5 year non-compete, net	76,988	92,386
Intellectual property	149,670	149,670
Other assets	<u>5,125</u>	<u>5,125</u>
TOTAL ASSETS	<u>\$ 3,999,090</u>	<u>\$ 4,759,763</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 487,638	\$ 465,405
Guarantee in debt of Naturxan	<u>1,612,500</u>	<u>1,094,502</u>
TOTAL CURRENT LIABILITIES	2,100,138	1,559,907
LONG-TERM DEBT		
Notes payable (net of unamortized discount)	363,874	363,874
Contingent liability on joint venture separation	5,000,000	5,000,000
Accrued interest	352,141	338,059
REDEEMABLE PREFERRED STOCK		
Carrying amount of redeemable preferred stock, 8% cumulative, convertible, voting, series A, \$0.01 par value per share. Stated value \$21.92 and \$21.60, respectively. Authorized 1,312,500 shares; issued and outstanding 11,134 shares.	<u>244,056</u>	<u>240,494</u>
TOTAL LIABILITIES	<u>8,060,209</u>	<u>7,502,334</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIENCY		
Common stock --- \$0.01 par value per share. Authorized 3,000,000,000 shares; issued and outstanding 1,565,404,297 and 1,560,404,297 shares, respectively.	15,654,043	15,604,043
Additional paid-in capital	34,466,645	34,466,645
Accumulated deficit	(54,231,774)	(52,871,515)
Other comprehensive income	<u>49,967</u>	<u>58,256</u>
TOTAL STOCKHOLDERS' DEFICIENCY	<u>(4,061,119)</u>	<u>(2,742,571)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	<u>\$ 3,999,090</u>	<u>\$ 4,759,763</u>

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

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

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>REVENUE</u>				
Sales	\$ ---	\$ 1,595,525	\$ ---	\$ 2,837,310
Cost of sales	---	1,571,727	---	2,516,912
GROSS PROFIT	---	23,798	---	320,398
LOSS OF JOINT VENTURE	(695,439)	(323,876)	(1,088,721)	(558,086)
<u>OPERATING EXPENSES</u>				
Marketing and selling	216,327	80,274	351,906	186,384
Research and development	513,096	417,340	982,806	878,515
General and administrative	79,291	249,503	152,568	482,159
Operating expenses reimbursed by Joint Venture	(682,084)	(453,418)	(1,213,051)	(906,387)
TOTAL OPERATING EXPENSES	126,630	293,699	274,229	640,221
OPERATING LOSS	(822,069)	(593,777)	(1,362,950)	(877,909)
OTHER INCOME	13,792	901	13,792	1,026,642
INTEREST EXPENSE	(2,935)	(9,030)	(11,101)	(17,901)
NET INCOME (LOSS)	\$ (811,212)	\$ (601,906)	\$ (1,360,259)	\$ 130,832
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign exchange translation	(1,929)	54,084	(8,289)	66,086
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (813,141)	\$ (547,822)	\$ (1,368,548)	\$ 196,918
BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING	1,565,404,297	1,518,503,841	1,563,123,082	1,518,503,841

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

IGENE Biotechnology, Inc. and Subsidiary
Consolidated Statement of Stockholders' Deficiency
(Unaudited)

	<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>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Total</u> <u>Stockholders'</u> <u>Deficiency</u>
Balance at January 1, 2010	1,560,404,297	\$15,604,043	\$ 34,466,645	\$ (52,871,515)	\$ 58,256	\$(2,742,571)
Shares issued for services	5,000,000	50,000	---	---	---	50,000
Loss due to currency translation	---	---	---	---	(8,289)	(8,289)
Net loss for the six months ended June 30, 2010	<u>---</u>	<u>---</u>	<u>---</u>	<u>(1,360,259)</u>	<u>---</u>	<u>(1,360,259)</u>
Balance at June 30, 2010	<u>1,565,404,297</u>	<u>\$15,654,043</u>	<u>\$ 34,466,645</u>	<u>\$ (54,231,774)</u>	<u>\$ 49,967</u>	<u>\$(4,061,119)</u>

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

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

	<u>Six months ended</u>	
	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Cash flows from operating activities		
Net income (loss)	\$ (1,360,259)	\$ 130,832
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	75,362	83,651
Increase in preferred stock for cumulative dividends classified as interest	3,562	3,546
Recoupment from (advances to) joint venture	(244,844)	(1,093,627)
Shares issued for services	50,000	---
Amortization of customer contracts and non-compete	15,398	15,397
Loss of joint venture	1,088,721	558,086
Gain on forgiveness of debt	---	(1,025,741)
Decrease (increase) in:		
Accounts receivable	---	(181,201)
Inventory	---	2,358,892
Prepaid expenses and other current assets	33,304	(20,719)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>36,316</u>	<u>(661,078)</u>
Net cash provided by (used in) operating activities	<u>(302,440)</u>	<u>168,038</u>
Cash flows from investing activities		
Purchase of equipment	(7,461)	(195,863)
Sale of equipment	349	---
Net cash used in investing activities	<u>(7,112)</u>	<u>(195,863)</u>
Cash flows from financing activities		
Net cash provided by financing activities	<u>---</u>	<u>---</u>
Gain (loss) due to currency translation	(8,289)	66,086
Net increase (decrease) in cash and cash equivalents	(317,841)	38,261
Cash and cash equivalents at beginning of period	<u>1,295,222</u>	<u>1,488,011</u>
Cash and cash equivalents at end of period	<u>\$ 977,381</u>	<u>\$ 1,526,272</u>
<u>Supplementary disclosure and cash flow information</u>		
Cash paid for interest	\$ ---	\$ ---
Cash paid for income taxes	---	---

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

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

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

(1) Unaudited Consolidated Financial Statements

The June 30, 2010 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-Q should be read in conjunction with the Annual Report on Form 10-K for IGENE Biotechnology, Inc. ("Igene" or the "Company") for the year ended December 31, 2009. The December 31, 2009 consolidated balance sheet is derived from the audited balance sheet included therein.

(2) Nature of Operations

Igene was incorporated in the State of Maryland on October 27, 1981 to develop, produce and market value-added specialty biochemical products. Igene is a supplier of natural astaxanthin, an essential nutrient in different feed applications and a source of pigment for coloring farmed salmon species. Igene is also venturing to supply astaxanthin as a nutraceutical ingredient. Igene is focused on research and development in the areas of fermentation technology, nutrition and health and the marketing of products and applications worldwide. Igene is the developer of Aquasta®, a natural astaxanthin product made from yeast, which is used as a source of pigment for coloring farmed salmonids.

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 2000, Igene formed a wholly-owned subsidiary, Igene Chile Comercial, Ltda., in Chile. The subsidiary has a sales and customer service office in Puerto Varas, Chile, and a product warehouse in Puerto Montt, Chile.

In an effort to develop a dependable source of production, on March 19, 2003, Tate & Lyle PLC ("Tate") and Igene announced a 50:50 joint venture to produce astaxanthin for the aquaculture industry, which we refer to as the "Joint Venture." Production utilized Tate's fermentation capability together with the unique technology developed by Igene. Part of Tate's existing citric acid facility located in Selby, England, was modified to include the production of this product. Tate's investment of approximately \$24,600,000 included certain of its facility assets that were used in citric acid production. Igene's contribution to the Joint Venture, including its intellectual property and its subsidiary in Chile, was valued by the parties as approximately equal to Tate's contribution. For accounting purposes, Igene's accounting contribution was valued at zero.

On October 31, 2007, Igene and Tate entered into a Separation Agreement pursuant to which the Joint Venture was terminated. As part of the Separation Agreement, Igene sold to Tate its 50% interest in the venture and the venture sold to Igene its intellectual property, inventory and certain assets and lab equipment utilized by the venture as well as Igene's subsidiary in Chile. The purchase price paid by Tate to Igene for its 50% interest in the venture was 50% of the venture's net working capital. The purchase price paid by Igene for the inventory was an amount equal to 50% of the venture's net working capital, the assumption of various liabilities and the current market price of the inventory, less specified amounts. In addition, Igene agreed to pay to Tate an amount equal to 5% of Igene's gross revenues from the sale of astaxanthin up to a maximum of \$5,000,000. Tate agreed for a period of five years not to engage in the astaxanthin business.

On January 8, 2009, Igene entered into an agreement with Archer-Daniels-Midland Company ("ADM") pursuant to which the Company and ADM formed a joint venture (the "ADM JV") to manufacture and sell astaxanthin and derivative products throughout the world. Each of the Company and ADM has a 50% ownership interest in the ADM JV and has equal representation on the Board of Managers of the ADM JV.

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

(3) Non-Cash Investing and Financing Activities

During the six months ended June 30, 2010 and 2009, the Company recorded in each quarter dividends in arrears on its 8% Redeemable Preferred Stock accumulating at \$0.16 per share aggregating to \$3,562 and \$3,546, respectively.

(4) Stockholders' Deficiency

As of June 30, 2010, 22,268 shares of authorized but unissued common stock were reserved for issue upon conversion of the Company's outstanding preferred stock.

As of June 30, 2010, 656,428 shares of authorized but unissued common stock were reserved for the exercise of outstanding warrants.

(5) Basic and Diluted Net Loss per Common Share

Basic and diluted net loss per common share for the three-month and six-month periods ended June 30, 2010 and 2009, are based on 1,565,404,297 and 1,518,503,841, 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 June 30, 2010 and 2009, potentially dilutive shares totaled 1,566,082,993 and 1,570,787,537, respectively.

(6) Going Concern

Igene has incurred net losses in each year of its existence, aggregating approximately \$54,232,000 from inception to June 30, 2010 and as of June 30, 2010, Igene's liabilities exceeded its assets by approximately \$4,061,000. 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, as of October 31, 2007, Igene had terminated its relationship with Tate & Lyle. Igene maintained the saleable inventory after the termination of the relationship. Igene sold the existing inventory in order to maintain its relationship with customers and used these funds to cover expenses.

On January 8, 2009, Igene entered into an agreement with Archer-Daniels-Midland Company ("ADM") pursuant to which the Company and ADM formed the ADM JV to manufacture and sell astaxanthin and derivative products throughout the world. Each of the Company and ADM has a 50% ownership interest in the ADM JV and has equal representation on the Board of Managers of the ADM JV.

(7) Naturxan LLC

ADM has provided a working line of credit to the ADM JV bearing interest at the rate of 4% in excess of the one year LIBOR. As part of the ADM JV agreement both Igene and ADM agreed to provide a Guarantee for 50% of the indebtedness of the new venture Naturxan, LLC, up to \$1,612,500. The \$1,992,206 due from Naturxan is for services provided by Igene to the ADM JV. These fees are payable within 30 days of the receipt of the invoice. Unpaid invoices accrue interest at the six month LIBOR.

Manufacturing is underway at the ADM facility. Management expects continued dependable production. As of the end of the second quarter of 2010, Igene has not made an investment in the ADM JV.

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

(8) Forgiveness of Debt

The June 30, 2009 financials reflect the recording of a gain of \$1,025,742. This is a one-time occurrence related to a liability recorded in a prior period related to the termination of the Joint Venture with Tate & Lyle. On February 26, 2009, Igene signed a settlement agreement of past obligations and made a final payment to Tate & Lyle in the amount of \$714,227. At the termination of the Joint Venture, Igene recorded liabilities of \$890,000 for payments of past payables of the Joint Venture as well as \$51,000 for costs related to collection of receivables of the Joint Venture. The expense was recorded when it was thought Igene could be liable for such amount it. Apart from the \$5,000,000 liability related to future revenue (see Note 2), Igene has fulfilled all of its payment obligations to Tate & Lyle.

(9) Issuance of Restricted Shares

The Company's Compensation Committee and Board of Directors recommended the issuance of 5,000,000 shares of Common Stock of Igene Biotechnology, Inc. (par value \$.01 per share), at \$.01 per share, the market price on February 19, 2010 to its Manufacturing Consultant, Joseph Downs, in recognition for his work in helping to facilitate the production process at the new facility. These shares were issued in the first quarter of 2010, and they were expensed as part of marketing and selling expense in the period.

**IGENE Biotechnology, Inc. and Subsidiary
Management's Discussion and Analysis of
Financial Condition and Results of Operations**

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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 STATEMENTS, 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. THE COMPANY ASSUMES NO DUTY TO UPDATE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE OF SUCH STATEMENTS.

Critical Accounting Policies

Except as otherwise provided herein, the preparation of our financial statements in conformity with accounting principles generally accepted in the United States (or "GAAP") requires management to make judgments, assumptions and estimates that affect the amounts reported in our 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 of operations presented in the financial statements and require management to make judgments and estimates that are inherently uncertain:

The 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.

Revenue from product sales are recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed and determinable, and collectability is reasonably assured. Allowances are established for estimated uncollectible amounts, product returns and discounts.

The Joint Venture and the ADM JV were accounted for under the equity method of accounting as Igene has a 50% ownership interest.

Igene will recognize the loss of the ADM JV beyond the investment and advances to the ADM JV, to the point Igene maintains guarantees in the debt of the ADM JV.

**IGENE Biotechnology, Inc. and Subsidiary
Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Continued)**

Results of Operations

Sales and other revenue

For the quarter ended June 30, 2009, Igene recorded sales in the amounts of \$1,595,525. For the six months ended June 30, 2009, Igene recorded sales in the amounts of \$2,837,310. Sales had been limited in past years due to insufficient production quantity and limited in the current period as source of production is being developed and production begins in the new ADM JV. Management believes that this new ADM JV will provide salable product that will allow Igene to be competitive in the market place and allow for increased sales in the future, though no assurances can be provided in this matter. All future sales of the ADM JV product will be recorded through the ADM JV.

Cost of sales and gross profit

For the quarter ended June 30, 2009, Igene recorded cost of sales in the amount of \$1,571,727. This resulted in a gross profit of \$23,798, or 1%. For the six months ended June 30, 2010 Igene recorded cost of sales in the amount of \$2,516,912. This resulted in gross profit of \$320,398, or 11%. The gross profit is due mainly to the discount in which the product was purchased at the conclusion of the joint venture with Tate & Lyle. As with sales, with the termination of the joint venture with Tate & Lyle, there can be no assurance of the continued dependability of production. Sales had been limited in past years due to insufficient production quantity and limited in the current period as a source of production is being developed and production begins in the new ADM JV. Management believes that this new ADM JV will provide salable product that will allow Igene to be competitive in the market place and allow for increased sales in the future, though no assurances can be provided in this matter. As a result, future cost of sales is expected to increase as a new source of production is developed. All future cost of sales on the ADM JV product will be recorded through the ADM JV.

Loss from Joint Venture with Archer-Daniels-Midland-Company

For the quarter ended June 30, 2010, Igene recorded a loss from the ADM JV of \$695,439. For the six months ended June 30, 2010, Igene recorded a loss from the ADM JV of \$1,088,721. On January 8, 2009, Igene entered into an agreement with Archer-Daniels-Midland Company ("ADM") pursuant to which the Company and ADM formed a joint venture (the "ADM JV") to manufacture and sell astaxanthin and derivative products throughout the world. Each of the Company and ADM has a 50% ownership interest in the ADM JV and has equal representation on the Board of Managers of the ADM JV.

The new ADM JV began selling product in the third quarter of 2009. For the six months ended June 30, 2010, revenues from sales of product were \$4,906,295. Cost of sales for the six months ended June 30, 2010 were \$4,779,591, resulting in a gross profit of \$126,704, or 3%. Expenses recorded by the ADM JV were \$2,304,147, resulting in a net loss of \$2,177,443 for the six months ended June 30, 2010. Igene's 50% interest resulted in the \$1,088,721 loss recorded. Management believes that this new ADM JV will provide saleable product that will allow Igene to be competitive in the market place and allow for increased sales in the future, though no assurances can be provided in this matter.

**IGENE Biotechnology, Inc. and Subsidiary
Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Continued)**

Marketing and selling expenses

For the quarters ended June 30, 2010 and 2009, Igene recorded marketing and selling expense in the amount of \$216,327 and \$80,274, respectively, an increase of \$136,053 or 169%. For the six months ended June 30, 2010 and 2009, Igene recorded marketing and selling expense in the amount of \$351,906 and \$186,384, respectively, an increase of \$165,522 or 89%. With the creation of the ADM JV, responsibility for the marketing and selling function is being assumed by the Joint Venture. With the transfer of sales activity to the ADM JV, portions of the Igene sales and marketing operations are being discontinued. This has pushed these costs to the first half of the year and it is expected to normalize throughout the year. It is expected that marketing and selling will continue to fluctuate as activities continue in order to maintain customer base through the period of development. However, no assurances can be made with regard to a new source of production or the maintenance of the customer base. Expenses are expected to be funded by the ADM JV and cash flows from operations, to the extent available for such purposes. During the six months ended June 30, 2010, \$200,245 of the marketing cost was reimbursed by the ADM JV.

Research, development and pilot plant expenses

For the quarters ended June 30, 2010 and 2009, Igene recorded research and development costs in the amount of \$513,096 and \$417,340, respectively, an increase of \$95,756 or approximately 23%. For the six months ended June 30, 2010 and 2009, Igene recorded research and development costs in the amount of \$982,806 and \$878,515, respectively, an increase of \$104,291 or 12%. Research and development costs have increased as Igene works to develop new uses for its product. It is expected these costs will remain at these 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 Aquasta® technology as it prepares to begin production in the new facility. Expenses are expected to be funded by the new ADM JV and cash flows from operations, to the extent available for such purposes. During the six month period ended March 31, 2010, all of the research and development expenditures were reimbursed by the ADM JV.

General and administrative expenses

General and administrative expenses for the quarter ended June 30, 2010 and 2009 were \$79,291 and \$249,503, respectively, a decrease of \$170,212 or 68%. General and administrative expenses for the six months ended June 30, 2010 and 2009 were \$152,568 and \$482,159 respectively, a decrease of \$329,591 or 68%. These costs are expected to remain at such reduced levels. As the ADM JV continues to develop, a greater amount of the time, effort and processes will take place within the ADM JV and, as such, the ADM JV will continue to absorb portions of the operation no longer required at Igene. Additionally, Igene and the ADM JV have worked to reduce overhead expenses and direct such savings to research and development efforts. A small portion of this remaining expense is expected to be covered by the ADM JV, but the majority of these expenses will need to be funded by cash flows from operations, to the extent available for such purposes. \$30,000 of the 2010 general and administrative cost was reimbursed by the ADM JV.

Expenses reimbursed by ADM Joint Venture

As part of the ADM JV agreement, a portion of costs incurred by Igene related to production, research and development, those related to the marketing of Aquasta®, as well as those expenditures related to general and administrative functions of the ADM JV are considered expenditures of the ADM JV and therefore will be reimbursed by the ADM JV. For the six months ended June 30, 2010, the ADM JV reimbursed Igene \$1,213,051, \$982,806 for research and development expenditures, \$200,245 for marketing expenditures, and \$30,000 for general and administrative expenditures.

**IGENE Biotechnology, Inc. and Subsidiary
Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Continued)**

Other Income

Igene had other income for the six months ended June 30, 2009 of \$1,026,642. Of this amount, \$1,025,741 is a one-time occurrence related to a liability recorded in a prior period related to the termination of the Joint Venture with Tate & Lyle. On February 26, 2009, Igene signed a settlement agreement of past obligations and made a final payment to Tate & Lyle in the amount of \$714,227. At the termination of the Joint Venture, Igene recorded liabilities of \$890,000 for payments of past payables of the Joint Venture as well as \$51,000 for costs related to collection of receivables of the Joint Venture. The expense was recorded when it was thought Igene could be liable for it, but with the exception of the \$5,000,000 liability related to future revenue (see Note 2), Igene has satisfied its debt to Tate & Lyle.

Interest expense

Interest expense for the quarters ended June 30, 2010 and 2009 was \$2,935 and \$9,030, respectively, a decrease of \$6,095 or 67%. For the six months ended June 30, 2010 and 2009, interest expense was \$11,101 and \$17,901, respectively, a decrease of \$6,800 or 38%. This interest expense (net of interest income) is attributable Igene's long-term financing from its directors and other stockholders and interest on Igene's subordinated and convertible debentures.

Net loss and basic and diluted net loss per common share

As a result of the foregoing, the Company recorded comprehensive losses of \$813,141 and \$547,822, respectively, for the quarters ended June 30, 2010 and 2009, which is an increase in the loss of \$265,319 or 48%. This represents a loss of \$0.00 and \$0.00 per basic and diluted common share in each of the quarters ended June 30, 2010 and 2009, respectively. The Company reported comprehensive loss of \$1,368,548 and comprehensive income of \$196,918, respectively, for the six months ended June 30, 2010 and 2009. This represents loss of \$0.00 and income of \$0.00 per basic and diluted common share in each of the six months ended June 30, 2010 and 2009, respectively. The weighted average number of shares of common stock outstanding of 1,565,404,297 and 1,518,503,841 for the quarter ended June 30, 2010 and 2009 respectively, has increased by 46,900,456 shares. The weighted average number of shares of common stock outstanding of 1,563,123,082 and 1,518,503,841 for the six months ended June 30, 2010 and 2009 respectively, has increased by 44,619,241 shares. The increase in outstanding shares resulted mainly from the shares issued in connection with the repurchase of employee stock options.

Financial Position

During the six months ended June 30, 2010 and 2009, in addition to the matters previously discussed, the following actions also materially affected the Company's financial position:

- For 2010 most operating activity occurred at the ADM JV and effects to cash were minimal, cash position decreased by \$317,841 during the six months ended June 30, 2010, the leading factor in this was advances to the ADM JV of \$244,844, decreases in prepaid expenses and other assets and increases in accounts payable combined to offset this by \$69,620; and
- Decreases in inventory for the six months ended June 30, 2009 of \$2,358,892 were a source of cash, offset by funds used to decrease accounts payable and accrued expenses by \$661,078, and increases of accounts receivable of \$181,201; and
- The carrying value of redeemable preferred stock was increased and interest expense recorded in the amount of \$3,562 and \$3,546 in 2010 and 2009, respectively, reflecting cumulative unpaid dividends on redeemable preferred stock.

**IGENE Biotechnology, Inc. and Subsidiary
Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Continued)**

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 June 30, 2010, total dividends in arrears on Igene's preferred stock total \$154,985 (\$13.92 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 its stockholders. At June 30, 2010, Igene had working capital of \$882,525, and cash and cash equivalents of \$977,381.

Cash used by operating activities during the six-month period ended June 30, 2010 equaled \$302,440 as compared to cash provided by operating activities of \$168,038 for the six-month period ended June 30, 2009.

Cash used by investing activities during the six-month period ended June 30, 2010 and 2009 equaled \$7,112 and \$195,863, respectively, resulting from the purchase and sale of equipment and advances to the ADM JV.

No cash was used or provided by financing activities during the first six months of 2010 or 2009.

Over the next twelve months, Igene believes it will need additional working capital. Part of this funding is expected to be received from sales of Aquasta®, resulting in increased cash. Additional funding is expected through the ADM JV reimbursement of expenses. There will be additional delay between the commencement of production and the receipt of proceeds from any sale of such product. However, there can be no assurance that projected cash from sales, or additional funding, 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 six-month periods ended June 30, 2010 and 2009.

Off-Balance-Sheet Arrangements

There have been no material changes in the risks related to off-balance-sheet arrangements since the Company's disclosure in its Annual Report on Form 10-K for the year ended December 31, 2009.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not required to provide the information required under this item.

IGENE Biotechnology, Inc. and Subsidiary Controls and Procedures

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act (defined below)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will guaranty the prevention of any error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. To address the material weaknesses, we performed additional analysis and other post-closing procedures in an effort to ensure our consolidated financial statements included in this annual report have been prepared in accordance with GAAP. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Igene is undertaking to improve its internal control over financial reporting and improve its disclosure controls and procedures. As of December 31 2009, we had identified the following material weaknesses which still exist as of June 30, 2010 and through the date of this report.

1. As of June 30 2010, we did not maintain effective controls over the control environment. Specifically, we have not formally adopted a written code of business conduct and ethics that governs the Company’s employees, officers and directors. Additionally, we have not developed and effectively communicated to our employees its accounting policies and procedures. This has resulted in inconsistent practices. Further, the Board of Directors does not currently have any independent members and no director qualifies as an independent audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-B. Since these entity level programs have a pervasive effect across the organization, management has determined that these circumstances constitute a material weakness.
2. As of June 30, 2010, we did not maintain effective controls over financial statement disclosure. Specifically, controls were not designed and in place to ensure that all disclosures required were originally addressed in our financial statements. Accordingly, management has determined that this control deficiency constitutes a material weakness.
3. As of June 30, 2010, we did not maintain effective controls over equity transactions. Specifically, controls were not designed and in place to ensure that equity transactions were properly reflected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

IGENE Biotechnology, Inc. and Subsidiary
PART II
OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which Igene is a party or to which any of Igene's properties are subject; nor are there pending material bankruptcy, receivership or similar proceedings with respect to Igene; nor are there material proceedings pending or known to be contemplated by any governmental authority; nor are there material proceedings known to Igene, pending or contemplated, in which any of Igene's directors, officers, affiliates or any principal security holders, or any associate of any of the foregoing, is a party or has an interest adverse to us.

Item 1A. Risk Factors

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

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

None.

Item 3. Defaults Upon Senior Securities

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 June 30, 2010, total dividends in arrears on Igene's preferred stock total \$154,985 (\$13.92 per share) and are included in the carrying value of the redeemable preferred stock.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT NO.	DESCRIPTION
3.1	Articles of Incorporation of the Registrant, as amended as of November 17, 1997, constituting Exhibit 3.1 to the Registration Statement No. 333-41581 on Form SB-2 filed with the SEC on December 5, 1997, are hereby incorporated by reference.
3.2	Articles of Amendment to Articles of Incorporation of the Registrant, constituting Exhibit 3.1(b) to the Registration Statement No. 333-76616 on Form S-8 filed with the SEC on January 11, 2002, are hereby incorporated by reference.
3.3	By-Laws of the Registrant, constituting Exhibit 3.2 to the Registration Statement No. 33-5441 on Form S-1 filed with the SEC on May 6, 1986, are hereby incorporated by reference.
31.1	Rule 13a-14(a) or 15d-14(a) Certification of the Registrant's principal executive officer.*
31.2	Rule 13a-14(a) or 15d-14(a) Certification of the Registrant's principal financial officer.*
32.1	Rule 13a-14(b) or 15d-14(b) Certification of the Registrant's principal executive officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Rule 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Rule 13a-14(b) or 15d-14(b) Certification of the Registrant's principal financial officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Rule 906 of the Sarbanes-Oxley Act of 2002.*

*Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IGENE BIOTECHNOLOGY, INC.
(Registrant)

Date	<u>August 13, 2010</u>	By	<u>/S/ STEPHEN F. HIU</u> STEPHEN F. HIU President (principal executive officer)
Date	<u>August 13, 2010</u>	By	<u>/S/ EDWARD J. WEISBERGER</u> EDWARD J. WEISBERGER Chief Financial Officer (principal financial officer)

CERTIFICATIONS

I, Stephen F. Hiu, certify that:

I have reviewed this quarterly report on Form 10-Q of IGENE Biotechnology, Inc.;

1. 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;
2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
3. The registrant'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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2010

/S/ STEPHEN F. HIU

STEPHEN F. HIU
President

CERTIFICATIONS

I, Edward J. Weisberger, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 registrant as of, and for, the periods presented in this report;
4. The registrant'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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2010

/S/ EDWARD J. WEISBERGER

EDWARD J. WEISBERGER
Chief Financial Officer

**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-Q for the period ended June 30, 2010, 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: August 13, 2010

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-Q for the period ended June 30, 2010 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: August 13, 2010

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.