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TOMBSTONE TECHNOLOGIES, INC.

Form 10-Q

August 13, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

-----  
FORM 10Q  
-----

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 2008

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 333-138184

TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)

-----  
(Exact name of registrant as specified in its charter)

Colorado

51-0431963

-----  
(State of Incorporation)

-----  
(IRS Employer ID Number)

2400 Central Avenue, Suite G, Boulder, CO 80301

-----  
(Address of principal executive offices)

303-684-6644

-----  
(Registrant's Telephone number)

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the 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  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)  
Smaller reporting company

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

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

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As of August 10, 2008, there were 3,230,000 shares of the registrant's common stock issued and outstanding.

### PART I - FINANCIAL INFORMATION

| Item 1. Financial Statements (Unaudited)   | Page |
|--|------|
|  | ---- |
| Report of Independent Registered Public Accounting Firm  | F-1  |
| Condensed Balance Sheets - June 30, 2008 and<br>December 31, 2007                                | F-2  |
| Condensed Statement of Operations -<br>Six and Three months ended June 30, 2008 and 2007         | F-3  |
| Condensed Statement of Changes in Shareholders' Equity -<br>June 30, 2008                        | F-4  |
| Condensed Statement of Cash Flows -<br>Six months ended June 30, 2008 and 2007                   | F-5  |
| Notes to the Condensed Financial Statements  | F-6  |
| Item 2. Management's Discussion and Analysis of Financial Condition<br>and Results of Operations | 1    |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk - Not Applicable              |      |
| Item 4. Controls and Procedures  | 3    |
| Item 4T. Controls and Procedures   | 3    |
| PART II - OTHER INFORMATION  |      |
| Item 1. Legal Proceedings -Not Applicable  | 4    |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds<br>-Not Applicable           | 4    |
| Item 3. Defaults Upon Senior Securities - Not Applicable   | 4    |
| Item 4. Submission of Matters to a Vote of Security Holders                                      | 5    |
| Item 5. Other Information - Not Applicable   | 5    |
| Item 6. Exhibits   | 5    |
| SIGNATURES   | 6    |

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PART I

ITEM 1. FINANCIAL STATEMENTS

Forward-Looking Statements

We make forward-looking statements in this report that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. In some cases, you may identify forward-looking statements by words such as "may," "should," "plan," "intend," "potential," "continue," "believe," "expect," "predict," "anticipate" and "estimate," the negative of these words or other comparable words. These statements are only predictions. You should not place undue reliance on these forward-looking statements. The forward-looking statements are qualified by their terms and/or important factors, many of which are outside our control, involve a number of risks, uncertainties and other factors, that could cause actual results and events to differ materially from the statements made. Such factors include, among other things, those described elsewhere in this report and the following:

- Criminal procedure court rulings regarding right to privacy;
- General economic and business conditions in the United States;
- Defects in products could result in litigation and other significant costs; and
- Other factors detailed in our filings with the Securities and Exchange Commission.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, including those events and factors detailed in our filings with the Securities and Exchange Commission, not all of which are known to us. Neither we nor any other person assumes responsibility for the accuracy or completeness of these statements. We will update this report only to the extent required under applicable securities laws. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)  
(A Development Stage Company)  
Index to Financial Statements

Page  
-----

|   |     |
|---|-----|
| Unaudited Condensed Balance Sheet at June 30, 2008 and..... | F-2 |
| December 31, 2007.....                                      |     |

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|  |     |
|--|-----|
| Unaudited Condensed Statements of Operations for the six months ended<br>June 30, 2008 and 2007.....                                 | F-3 |
| Unaudited Condensed Statement of Changes in Shareholders' Equity for the<br>period from December 31, 2007 through June 30, 2008..... | F-4 |
| Unaudited Condensed Statements of Cash Flows for the six months ended<br>June 30, 2008 and 2007.....                                 | F-5 |
| Notes to Condensed Financial Statements.....   | F-6 |

F-1

TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)  
Condensed Balance Sheets

|   | June 30,<br>2008 | Dec            |
|---|------------------|----------------|
|   | Unaudited        | Der<br>A<br>St |
| <b>Assets</b>                                       |                  |                |
| <b>Current assets</b>                               |                  |                |
| Cash.....   | \$ 105,149       |                |
| Accounts receivable.....                            | 4,190            |                |
| Inventory - raw materials.....                      | 7,169            |                |
| Prepaid expenses.....                               | 1,973            |                |
|   | 118,481          |                |
| Equipment.....                                      | 26,843           |                |
| Intangible assets.....                              | 440              |                |
| Deferred charges.....                               | 26,043           |                |
|   | \$ 171,807       |                |
| <b>Liabilities and Shareholders' Equity</b>         |                  |                |
| <b>Current liabilities:</b>                         |                  |                |
| Accounts payable and accrued liabilities.....       | \$ 6,595         |                |
| Deferred revenue.....                               | --               |                |
| Current portion - capital lease obligation.....     | 1,992            |                |
|   | 8,587            |                |
| Capital lease obligation, less current portion..... | 3,304            |                |
|   | 8,891            |                |

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|   |            |  |
|---|------------|--|
| Total liabilities.....                            | 11,891     |  |
| <hr/>   |            |  |
| Shareholders' equity                              |            |  |
| Common stock.....                                 | 816,305    |  |
| Additional paid-in capital.....                   | 134,293    |  |
| Deficit accumulated during development stage..... | (790,682)  |  |
| <hr/>   |            |  |
| Total shareholders' equity.....                   | 159,916    |  |
| <hr/>   |            |  |
| Total liabilities and shareholders' equity.....   | \$ 171,807 |  |
| <hr/> <hr/>                                       |            |  |

See accompanying notes to financial statements  
F-2

TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)  
Condensed Statements of Operations  
(Unaudited)

|   | For the<br>Six Months Ended<br>June 30, |              |
|---|---|--------------|
|   | 2008                                    | 2007         |
|   | <hr/>                                   | <hr/>        |
| Sales.....  | \$ 48,151                               | \$ 5,049     |
| Cost of sales.....                                | 32,656                                  | 3,588        |
| <hr/>   |   |              |
| Gross profit.....                                 | 15,495                                  | 1,461        |
| Expenses  |   |              |
| Selling, general and administrative expenses..... | 279,748                                 | 143,186      |
| <hr/>   |   |              |
| Loss from operations.....                         | (264,253)                               | (141,725)    |
| Other income and (expense)                        |   |              |
| Interest income.....                              | 3,332                                   | 12,823       |
| Interest expense.....                             | (352)                                   | --           |
| <hr/>   |   |              |
| Loss before income taxes.....                     | (261,272)                               | (128,902)    |
| Income tax provision.....                         | --                                      | --           |
| <hr/>   |   |              |
| Net loss.....                                     | \$ (261,272)                            | \$ (128,902) |
| <hr/> <hr/>                                       |   |              |

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|  |           |           |       |
|--|-----------|-----------|-------|
| Basic and diluted loss per share.....\$                              | (0.08)\$  | (0.04)\$  |       |
|  | =====     | =====     | ===== |
| Basic and diluted weighted average<br>common shares outstanding..... | 3,230,000 | 3,230,000 |       |
|  | =====     | =====     | ===== |

See accompanying notes to financial statements  
F-3

TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)  
Condensed Statement of Changes in Shareholders' Equity  
(Unaudited)

|                                       | Common Stock |            | Additional<br>Paid-in<br>Capital |
|---------------------------------------|--------------|------------|----------------------------------|
|                                       | Shares       | Amount     |                                  |
|                                       | -----        | -----      | -----                            |
| Balance at December 31, 2007.....     | 3,230,000    | \$ 816,305 | \$ 82,030                        |
| Stock options granted and vested..... | --           | --         | 52,263                           |
| Net loss.....                         | --           | --         | --                               |
|                                       | -----        | -----      | -----                            |
| Balance at June 30, 2008.....         | 3,230,000    | \$ 816,305 | \$ 134,293                       |
|                                       | =====        | =====      | =====                            |

See accompanying notes to financial statements  
F-4

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TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Cards, Inc.)  
Condensed Statements of Cash Flows  
(Unaudited)

|   | For the<br>Six Months Ended<br>June 30, |              |
|---|---|--------------|
|   | 2008                                    | 2007         |
| Net cash flows used in operating activities.....  | \$ (203,391)                            | \$ (136,000) |
| Cash flows from investing activities:             |   |              |
| Purchase of property and equipment.....           | (3,086)                                 | (5,000)      |
| Purchase of intangible assets.....                | (400)                                   | --           |
| Net cash flows used in investing activities.....  | (3,486)                                 | (5,000)      |
| Cash flows from financing activities:             |   |              |
| Payments on long term debt.....                   | (1,472)                                 | --           |
| Net cash flows used by financing activities.....  | (1,472)                                 | --           |
| Net change in cash and cash equivalents.....      | \$ (208,349)                            | \$ (136,000) |
| Cash and cash equivalents:                        |   |              |
| Beginning of period.....                          | \$ 313,498                              | \$ 634,400   |
| End of period.....                                | \$ 105,149                              | \$ 497,800   |
| Supplemental disclosure of cash flow information: |   |              |
| Cash paid during the period for:                  |   |              |
| Income taxes.....                                 | \$ --                                   | \$ --        |
| Interest.....                                     | \$ --                                   | \$ --        |
| Noncash investing and financing transactions:     |   |              |
| Equipment acquired under capital lease.....       | \$ --                                   | \$ --        |

See accompanying notes to financial statements

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TOMBSTONE TECHNOLOGIES, INC.  
(Formerly Tombstone Card, Inc.)  
(A Development Stage Company)  
Note to Condensed Financial Statements  
(Unaudited)

### Note 1: Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2008, the results of operations for the six months ended June 30, 2008 and 2007, and cash flows for the six months ended June 30, 2008. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's annual report on Form 10-KSB for the year ended December 31, 2007. There have been no updates or changes to our audited financial statements for the year ended December 31, 2007.

There is no provision for dividends for the quarter to which this quarterly report relates. The results of operations for the six month ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year.

### Reclassification

Certain 2007 amounts have been reclassified to conform with 2008 presentation. These reclassifications have no effect on net income.

### Note 2: Intangible Assets

On May 15, 2008, Tombstone Cards, Inc. (Tombstone) entered into an Intellectual Property Transfer Agreement with InDis Baltic, a Lithuania company, to purchase all of the rights, title and interest in and to the technology, intellectual property and the proprietary technology contained in the computer software known as OIEPrint. OIEPrint was developed as part of a development agreement between Tombstone and InDis Baltic. As part of the Intellectual Property Transfer Agreement, Tombstone agreed to pay the following:

1. \$7,500 immediately upon mutual acceptance of Transfer Agreement,
2. \$7,500 upon final acceptance of the Technology,
3. 140,000 shares of restricted common stock of Tombstone upon final acceptance of the Technology,
4. \$10,000 in 90 days from the final acceptance of the Technology

As of June 30, 2008, Tombstone made the first payment of \$7,500 for OIEPrint, which is a deferred charge in the accompanying financial statements. In addition, Tombstone has agreed to provide InDis Baltic with an exclusive license to use the OIE technology for the consideration of \$1.00. Further, InDis Baltic has agreed to continue work as a programmer of the software over the next two phases of development.



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Note 3: Shareholders' Equity

A summary of changes in the number of stock options outstanding for the six months ended June 30, 2008 is as follows:

|                                       | Number<br>of Shares | Exercise<br>Price<br>Per Share | Weighted<br>Average<br>Exercise<br>Price<br>Per Share |   |
|---------------------------------------|---------------------|--------------------------------|---|---|
| Outstanding at December 31, 2007..... | 1,110,000           | -                              | \$ -  | 1 |
| Granted.....                          | 325,000             | \$0.65 - \$1.50                | \$ 1.02   | 2 |
| Exercised.....                        | -                   | -                              | -   |   |
| Cancelled/Expired.....                | (150,000)           | \$ 0.75                        | \$ 0.75   |   |
| Outstanding at June 30, 2008.....     | 1,285,000           | \$0.65 - \$1.50                | \$ 0.77   | 1 |
| Exercisable at June 30, 2008.....     | 1,285,000           | \$0.65 - \$1.50                | \$ 0.77   | 1 |

On March 15, 2008, we granted to two consultants, options to purchase 125,000 and 50,000, respectively, shares of our common stock at an exercise price of \$0.65 and \$1.00 per share, in exchange for consulting services. The option to purchase 50,000 shares of our common stock vests on March 15, 2008 and expires on August 27, 2009, and the option to purchase 125,000 shares of common stock vests 50 percent on March 15, 2008 and 50 percent on June 16, 2008, and expires on March 13, 2013. Our Board of Directors valued our common stock at \$0.50 per share on the grant date. We, utilizing appropriate option pricing software, estimated the fair value of the options at \$.2981 and \$.0687 per share, for an aggregate grant-date fair value of \$40,697. We recorded \$37,263 and \$3,435 in share-based payment in the accompanying financial statements for the three-month period ended March 31, 2008 and three-month ended June 30, 2008, respectively.

Using the Black-Scholes option-pricing software, we assumed the following in estimating the fair value of the options at the grant date:

|                                     |            |    |         |
|-------------------------------------|------------|----|---------|
| Risk-free interest rate.....        | 1.37%      | to | 2.37%   |
| Dividend yield.....                 | 0.00%      | to | 0.00%   |
| Volatility factor.....              | 50.00%     |    |         |
| Weighted average expected life..... | 1.45 years | to | 5 years |

On April 15, 2008, we granted to one consultant, options to purchase 100,000 shares of our common stock at an exercise price of \$1.25, in exchange for consulting services. The option to purchase 100,000 shares of our common stock vests immediately on April 15, 2008 and expires on August 28, 2009. Our Board of Directors valued our common stock at \$0.85 per share on the grant date. We, utilizing appropriate option pricing software, estimated the fair value of the options at \$.1049 per share, for an aggregate grant-date fair value of \$10,490. We recorded \$10,490 in share-based payment in the accompanying financial statements for the six month period ended June 30, 2008.

Using the Black-Scholes option-pricing software, we assumed the following in estimating the fair value of the options at the grant date:

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|                                     |           |    |         |
|-------------------------------------|-----------|----|---------|
| Risk-free interest rate.....        | 1.82%     | to | 2.82%   |
| Dividend yield.....                 | 0.00%     | to | 0.00%   |
| Volatility factor.....              | 50.00%    |    |         |
| Weighted average expected life..... | 1.5 years | to | 5 years |

On June 30, 2008, we granted to one consultant, options to purchase 50,000 shares of our common stock at an exercise price of \$1.50, in exchange for consulting services. The option to purchase 50,000 shares of our common stock vests immediately on June 30, 2008 and expires on August 29, 2009. Our Board of Directors valued our common stock at \$0.75 per share on the grant date. We, utilizing appropriate option pricing software, estimated the fair value of the options at \$.0215 per share, for an aggregate grant-date fair value of \$1,075. We recorded \$1,075 in share-based payment in the accompanying financial statements for the six month period ended June 30, 2008.

Using the Black-Scholes option-pricing software, we assumed the following in estimating the fair value of the options at the grant date:

|                                     |        |    |         |
|-------------------------------------|--------|----|---------|
| Risk-free interest rate.....        | 2.36%  | to | 3.36%   |
| Dividend yield.....                 | 0.00%  | to | 0.00%   |
| Volatility factor.....              | 50.00% |    |         |
| Weighted average expected life..... | 1 year | to | 5 years |

During the six months ended June 30, 2008, the Company and one consultant agreed to cancel the options issued in year 2007. Since the share-based payment expense was fully recognized in the prior year, this event does not affect the accompanying financial statements.

### Note 4: Income Taxes

The Company records its income taxes in accordance with Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes." The Company incurred net operating losses during the periods shown on the condensed financial statements resulting in a deferred tax asset, which was reserved; therefore the net benefit and expense resulted in \$-0- income taxes.

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

The following discussion should be read in conjunction with our unaudited financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward-looking statements.

The independent registered public accounting firm's report on the Company's

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financial statements as of December 31, 2007, and for each of the years in the

two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern.

### PLAN OF OPERATIONS

At June 30, 2008, we had cash on hand of \$105,149. We intend to use our cash funds to continue operations. We intend to continue to develop the business opportunities presented by our OIEPrint(TM) software and our business in the printing of custom playing cards. The development of the business opportunities includes continued marketing efforts and product testing over the next twelve months.

On July 24, 2008, we held our annual shareholders' meeting. At such meeting, the shareholders' approved the following motions:

- The amendment of the Company's Articles of Incorporation to authorize a preferred class of stock with such designations and terms as to be determined by the Board of Directors;
- The amendment of the Company's Articles of Incorporation to change the Company's name from Tombstone Cards, Inc. to Tombstone Technologies, Inc.;
- To elect three individuals to the Board of Directors, and
- The approval of the Company's auditors.

In connection with the approval of the above motions, on July 31, 2008, the Company amended its Articles of Incorporation to authorize a class of preferred stock and change the Company's name to Tombstone Technologies, Inc.

During the six months ended June 30, 2008, we have focused on the continued development of our OIEPrint software and conducted the beta testing of such software. With the completion of the testing of the software, we intend to offer the software for sale starting September 2008. We will offer two products:

- OIEPrint - is a platform, independent browser-based R (RIA) that supports template driven design and provides high-resolution PDF files to the printer; and
- OIEPrint Store - An advanced e-commerce solution that supports multiple customization options (e.g. paper color, paper weight, paper finish, collating, binding, shipping, etc.) and dependent variables (e.g. If you choose "A," you cannot choose "B" but can choose "C").

Over the next twelve months we intend to develop a third software product, OIEPrint VDP, a tool for linking database mining with custom printing and 1:1 marketing and release it for sales.

We intend to develop a full suite of online end-to-end solutions for the small to medium sized commercial and consumer digital print industry. The online solutions will allow the print shop's customers the ability to design any graphic item, on-line, and have it sent directly to the digital printer for processing. The full e-commerce capabilities will allow the print shop customer to store and manage their graphic items, place and manage their print orders, and track their order shipping and delivery. The suite will include the VDP module, mentioned above, which integrates advanced database functionality necessary for "Variable Data Print," a potential breakthrough in merging data mining and direct mail services.

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While each product will be available as a stand-alone license, we are offering a fully hosted solution for a monthly fee. Customization and implementation fees are also anticipated. We will offer the products through the Company, via an outbound sales staff that utilizes Web-based demos and Web-video in order to engage customers.

In the continuance of our business operations we do not intend to purchase or sell any significant assets and we do not expect a significant change in the number of employees of the Company.

### RESULTS OF OPERATIONS

For the Six Months Ended June 30, 2008 Compared to the Six Months Ended June 30, 2007

During the six months ended June 30, 2008, we recognized sales of \$48,151 compared to sales of \$5,049 during the six months ended June 30, 2007 from the sale of our customized playing cards and our software products. The increase of \$43,102 was a result of increased marketing and sales activities.

During the six months ended June 30, 2008, we incurred cost of sales of \$32,656 compared to cost of sales of \$3,588 during the six months ended June 30, 2007. The increase of \$29,068 was a result of the increase in sales of our products. We recognized a gross profit of \$15,495 during the six months ended June 30, 2008 compared to \$1,461 during the six months ended June 30, 2007.

During the six months ended June 30, 2008, we incurred operational losses of \$264,253 compared to \$141,725 during the six months ended June 30, 2007. The increase of \$122,528 is a result of the \$89,174 increase in general and selling expenses combined with the \$47,388 increase expenses incurred as a result of issuing equity to pay for services. These increases are a result of increased operational activities over the prior period combined with increase general and administrative expenses as a result of the Company's Annual Shareholder Meeting.

During the six months ended June 30, 2008, we recognized a net loss of \$261,272 compared to a net loss of \$128,902 during the six months ended June 30, 2007. The increase of \$132,370 is a result of the increased operational activity discussed above offset by the increase in sales.

For the Three Months Ended June 30, 2008 Compared to the Three Months Ended June 30, 2007

During the three months ended June 30, 2008, we recognized sales of \$12,366 compared to sales of \$3,133 during the three months ended June 30, 2007 from the sale of our customized playing cards. The increase of \$9,233 was a result of increased marketing and sales activities.

During the three months ended June 30, 2008, we incurred cost of sales of \$16,381 compared to cost of sales of \$1,910 during the three months ended June 30, 2007. The increase of \$14,471 was a result of the increase in sales of product. We recognized a negative gross profit of (\$4,015) during the three months ended June 30, 2008 compared to \$1,223 during the three months ended June 30, 2007.

During the three months ended June 30, 2008, we incurred operational losses of \$146,951 compared to \$71,995 during the three months ended June 30, 2007. The increase of \$74,956 is a result of the \$54,717 increase in general and selling expenses combined with the \$15,001 increase expenses incurred as a result of issue equity to pay for services. These increases are a result of increased

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operational activities over the prior period.

During the three months ended June 30, 2008, we recognized a net loss of \$145,999 compared to a net loss of \$65,854 during the three months ended June 30, 2007. The increase of \$80,145 is a result of the increased operational activity discussed above offset by the increase in sales.

### LIQUIDITY AND FINANCIAL CONDITION

Net cash used in operating activities during the six months ended June 30, 2008 and June 30, 2007 were \$203,391 and \$136,076, respectively. Net cash used in investing activities during the six months ended June 30, 2008 and June 30, 2007 were \$3,486 and \$519, respectively. During the six months ended June 30, 2008, we invested funds of \$3,086 in the purchase of property and equipment. Net cash

used in financing activities during the six months ended June 30, 2008 and June 30, 2007 were \$1,472 and \$0, respectively.

At June 30, 2008, we had total current assets of \$118,480, consisting of cash on hand of \$105,149, \$4,190 in accounts receivable, \$7,169 in inventory and \$1,973 in prepaid expenses. At June 30, 2008, we had total current liabilities of \$8,587, consisting of accounts payable and accrued liabilities of \$6,595 and the current portion of lease obligations of \$1,992.

During the six months ended June 30, 2008, we granted to four consultants, options to purchase 325,000 shares of our common stock at an exercise price of \$0.65 to \$1.50 per share, in exchange for consulting services. Our Board of Directors valued our common stock at \$0.55 to \$0.85 per share on the grant date. We, utilizing appropriate option pricing software, estimated the fair value of the options at shown in the below table, for an aggregate grant-date fair value of \$52,263. We recorded \$52,263 in share-based payment in the accompanying financial statements for the six-month period ended June 30, 2008.

| Optionee<br>----- | Number of<br>shares<br>----- | Fair value of<br>options<br>----- | Total<br>Expenses<br>----- | Total exp recognized<br>as of June 30, 2008<br>----- |
|-------------------|------------------------------|-----------------------------------|----------------------------|--|
| Consultant        | 125,000                      | \$.2981                           | \$37,263                   | \$37,263   |
| Consultant        | 50,000                       | \$.0687                           | \$3,435                    | \$3,435  |
| Consultant        | 100,000                      | \$.1049                           | \$10,490                   | \$10,490   |
| Consultant        | 50,000                       | \$.0215                           | \$1,075                    | \$1,075  |

### ITEM 3. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable

### ITEM 4. CONTROLS AND PROCEDURES

#### Disclosures Controls and Procedures

We have adopted and maintain disclosure controls and procedures (as such term is defined in Rules 13a 15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC's rules and forms and that the information is gathered and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow for timely decisions regarding required disclosure.

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As required by SEC Rule 15d-15(b), Messrs. Harris and Cox our Chief Executive Officer and Chief Financial Officer carried out an evaluation under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 15d-14 as of the end of the period covered by this report. Based on the foregoing evaluation, Messrs. Harris and Cox have concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings and to ensure that information required to be disclosed in our periodic SEC filings is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as a result of the deficiency in our internal control over financial reporting discussed below.

### ITEM 4T. CONTROLS AND PROCEDURES

#### Management's Quarterly Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company in accordance with as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed 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. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized

Management's assessment of the effectiveness of the small business issuer's internal control over financial reporting is as of the quarter ended June 30, 2008. We believe that internal control over financial reporting is effective. We have not identified any, current material weaknesses considering the nature and extent of our current operations and any risks or errors in financial reporting under current operations.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

There was no change in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2008, that has materially affected, or is reasonably likely to materially affect, our internal control

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over financial reporting.

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

NONE

#### ITEM 2. CHANGES IN SECURITIES

The Company made the following unregistered sales of its securities from April 1, 2008 through June 30, 2008.

| DATE OF SALE | TITLE OF SECURITIES | NO. OF SHARES | CONSIDERATION       | CLASS OF PURCHASE  |
|--------------|---------------------|---------------|---------------------|--------------------|
| 4/15/08      | Options             | 100,000       | Consulting Services | Business Associate |
| 6/30/08      | Options             | 50,000        | Consulting Services | Business Associate |

#### Exemption From Registration Claimed

All of the sales by the Company of its unregistered securities were made by the Company in reliance upon Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act"). All of the individuals and/or entities listed above that purchased the unregistered securities were almost all existing shareholders, all known to the Company and its management, through pre-existing business relationships, as long standing business associates, and employees. All purchasers were provided access to all material information, which they requested, and all information necessary to verify such information and were afforded access to management of the Company in connection with their purchases. All purchasers of the unregistered securities acquired such securities for investment and not with a view toward distribution, acknowledging such intent to the Company. All certificates or agreements representing such securities that were issued contained restrictive legends, prohibiting further transfer of the certificates or agreements representing such securities, without such securities either being first registered or otherwise exempt from registration in any further resale or disposition.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

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

On July 24, 2008, the Company held its Annual Shareholders' Meeting. At the Meeting, the following items were approved by a majority of the shareholders:

- The amendment of the Company's Articles of Incorporation to authorize a preferred class of stock with such designations and terms as to be determined by the Board of Directors;
- The amendment of the Company's Articles of Incorporation to change the Company's name from Tombstone Cards, Inc. to Tombstone Technologies, Inc.;
- To elect three individuals to the Board of Directors; and
- The approval of the Company's auditors.

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ITEM 5. OTHER INFORMATION

NONE.

ITEM 6. EXHIBITS

Exhibits. The following is a complete list of exhibits filed as part of this Form 10-Q. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-K.

- Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- Exhibit 31.2 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- Exhibit 32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
- Exhibit 32.2 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TOMBSTONE TECHNOLOGIES, INC.  
(Registrant)

Dated: August 12, 2008

By: /s/ John Harris

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John Harris, President &  
Chief Executive Officer

Dated: August 12, 2008

By: /s/ Neil Cox

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Neil Cox, Chief Financial Officer &



