BIOPHAN TECHNOLOGIES INC
Form 10QSB
July 15, 2003

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

FORM 10-QSB

[x] Quarterly Report under Section 13 or 15(d)of the Securities Exchange Act of 1934

For the quarterly period ended: May 31, 2003

[ ] Transition Report under Section 13 or 15(d) of the Exchange Act of 1934

For the transition period from ____ to ____

Commission File No. 0-26057

BIOPHAN TECHNOLOGIES, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	82-0507874
(State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
150 Lucius Gordon Drive, Suite 215 West Henrietta, New York	14586
(Address of principal executive offices)	(Zip code)

(585) 214-2441

Issuer'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 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.

[X] Yes [ ] No

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

Class	Outstanding as of July 14, 2003
Common Stock, $.005 par value	38,903,314

Transitional small Business Disclosure Format (Check One): Yes[ ] No[x]

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Biophan Technologies, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Biophan Technologies, Inc. and Subsidiaries as of May 31, 2003, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended May 31, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of February 28, 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated April 10, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 28, 2003, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

GOLDSTEIN GOLUB KESSLER LLP
New York, New York

July 2, 2003

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BIOPHAN TECHNOLOGIES, INC.
AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED BALANCE SHEETS

	May 31, 2003 (Unaudited)	February 28, 2003
ASSETS		
Current Assets:		
Cash	$ 43,639	$ 48,935
Investments in marketable securities	-	302,000
Advances receivable	4,495	10,127
Due from related party	29,405	24,368
Prepaid expenses	51,377	90,923

Total Current Assets	128,916	476,353
Fixed Assets, at cost, net	76,158	63,232
Other Assets:		
Intellectual property rights	70,000	70,000
Security deposit	2,933	2,933
Deferred equity placement costs	83,862	70,538
Deferred tax asset, net of valuation allowance of $2,279,000 and $2,120,000 respectively	-	-
	156,795	143,471
	$ 361,869	$ 683,056

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current Liabilities:		
Accounts payable and accrued expenses	$ 509,027	$ 343,216
Loan payable to stockholder	143,570	143,570
Payable to related party, less discount	307,899	300,000
Due to related party	9,306	9,401
Total Current Liabilities	969,802	796,187
Long-term payable to related party, less discount	166,666	83,333
Stockholders' Deficiency:		
Common stock, $.005 par value Authorized, 60,000,000 shares Issued and outstanding, 37,634,693 shares	188,173	188,173
Additional paid-in capital	7,668,520	7,588,520
Deficit accumulated during the development stage	(8,631,292)	(7,973,157)
	(774,599)	(196,464)
	$ 361,869	$ 683,056

See Notes to Condensed Consolidated Financial Statements.

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BIOPHAN TECHNOLOGIES, INC.
AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended May 31, 2003	Three Months Ended May 31, 2002	Period from August 1, 1968 (date of inception) to May 31, 2003
Operating expenses:			
Salaries and related	$ 127,642	$ 171,213	$ 1,297,436
Research and development	238,103	451,815	2,673,495
Professional fees	106,109	140,493	1,977,825
Write-down of intellectual property	-	-	530,000
General and administrative	104,736	165,309	1,188,990
Operating loss	(576,590)	(928,830)	(7,667,746)
Other income(expense):			
Interest expense	(110,251)	(10,300)	(1,111,647)
Interest income	902	16,608	45,665
Other income	27,804	13,498	256,879
Other expense	-	(28,805)	(65,086)
	(81,545)	(8,999)	(874,189)
Loss from continuing operations	(658,135)	(937,829)	(8,541,935)
Loss from discontinued operations	-	-	(89,357)
Net loss	$ (658,135)	$ (937,829)	$(8,631,292)
Loss per common share -basic and diluted	$ (0.02)	$ (0.03)	
Weighted average shares outstanding	37,634,693	29,549,439	

See Notes to Condensed Consolidated Financial Statements.

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BIOPHAN TECHNOLOGIES, INC.
AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended May 31, 2003	Three Months Ended May 31, 2002	Period from August 1, 1968 (date of inception) to May 31, 2003
Cash flows used for operating activities:			
Net loss	$ (658,135)	$ (937,829)	$(8,631,292)
Adjustments to reconcile net loss to net cash provided(used) by operating activities:			
Depreciation	5,764	6,376	46,294

Realized and unrealized losses on marketable securities	-	28,805	66,948
Amortization of interest on convertible notes payable	91,232	-	474,565
Write-down of intellectual property rights	-	-	530,000
Amortization of discount on payable to related party	-	-	75,000
Issuance of common stock for services	-	-	101,108
Issuance of common stock for interest	-	-	468,823
Grant of stock options for services	30,000	50,000	1,217,800
Expenses paid by stockholder	-	-	2,640
Changes in operating assets and liabilities:			
(Increase)decrease in advances receivable	5,632	-	(4,495)
Increase in due from related parties	(5,037)	-	(29,405)
(Increase) decrease in prepaid expenses	39,546	61,583	(51,377)
Increase in security deposits	-	-	(2,933)
Increase in accounts payable and accrued expenses	165,811	130,791	495,696
Increase(decrease) in due to related parties	(95)	222,594	(34,190)
	(325,282)	(437,680)	(5,274,818)
Cash flows used for investing activities:			
Purchases of fixed assets	(18,690)	(7,674)	(122,452)
Sales of marketable securities	302,000	540,000	1,219,270
Purchases of marketable securities	-	-	(1,286,218)
	283,310	532,326	(189,400)
Cash flows provided by financing activities:			
Proceeds of bridge loans	-	-	986,500
Loan from stockholder			
Line of credit borrowing from related party	50,000	-	350,000
Net proceeds from sales of capital stock	-	-	4,111,649
Deferred equity placement costs	(13,324)	(45,000)	(83,862)
	36,676	(45,000)	5,507,857
Net increase(decrease)in cash	(5,296)	49,646	43,639
Cash, beginning	48,935	12,199	-
Cash, ending	$ 43,639	$ 61,845	$ 43,639
Supplemental schedule of noncash investing and financing activities:			
Intellectual property acquired through issuance of capital stock and assumption of related party payable	$ -	$ -	$ 175,000
Acquisition of intellectual property	$ -	$ -	$ 425,000
Issuance of common stock upon conversion of bridge loans	$ -	$ -	$ 986,500

See Notes to Condensed Consolidated Financial Statements.

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2003

INTERIM FINANCIAL STATEMENTS:

The condensed consolidated financial statements as of May 31, 2003 and for the three months ended May 31, 2003 and 2002 are unaudited. However, in the opinion of management of the Company, these financial statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the financial position and results of operations for such interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results to be obtained for a full year.

BASIS OF CONSOLIDATION:

The condensed consolidated financial statements include the accounts of Biophan Technologies, Inc. ("Biophan")and its wholly owned subsidiaries, LTR Antisense Technology, Inc. ("Antisense") and MRIC Drug Delivery Systems, LLC ("MRIC") (collectively referred to as the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

ORGANIZATIONAL HISTORY:

The Company was incorporated under the laws of the State of Idaho on August 1, 1968. On January 12, 2000, the Company changed its domicile to Nevada by merging into a Nevada corporation, and on July 19, 2001, changed its name to Biophan Technologies, Inc. The Company's stock currently trades over-the-counter under the symbol BIPH. Our corporate headquarters are located at 150 Lucius Gordon Drive, Suite 215, West Henrietta, New York 14586; Tel. (585) 214-2441; website: www.biophan.com.

On December 1, 2000, the Company acquired LTR Antisense Technology, Inc., a New York corporation ("LTR"), from Biomed Solutions, LLC (formerly Biophan, LLC), a New York limited liability company ("Biomed"), in a share for share exchange. As a result of the exchange, LTR became a wholly owned subsidiary of the Company. The exchange was consummated pursuant to and in accordance with an Exchange Agreement, originally dated December 1, 2000 and subsequently amended, by and among the Company, LTR and Biomed. LTR owns multiple patents for proprietary HIV antisense gene therapy technology.

In connection with the exchange, the Company (i) issued an aggregate of 10,759,101 shares of common stock to Biomed in exchange for all the issued shares of LTR and (ii) issued an aggregate of 10,759,101 shares of common stock to a group of investors for $175,000. Also on December 1, 2000, the Company acquired intellectual property rights, including a pending patent to the MRI-compatible pacemaker technology from Biomed (the "Assignment"), for future consideration of $500,000 ("MRI technology purchase liability payable") The Assignment was consummated pursuant to, and in accordance with, an Assignment and Security Agreement, originally dated December 1, 2000 and subsequently amended, by and between the Company and Biomed.

PRINCIPAL BUSINESS ACTIVITIES:

The Company is in the development stage and is expected to remain so for at

least the next twelve months.

The Company is developing technologies that make biomedical devices safe for use in an MRI (Magnetic Resonance Imaging) machine. Many biomedical devices are prohibited for use in an MRI machine, including pacemakers, cardioverter-defibrillators, neurostimulators, bladder control devices, insulin pumps with wire connected sensors, pain control devices, interluminal imaging coils, interventional catheters and guide wires, endoscopes, and others. The Company plans to provide intellectual property licenses to manufacturers of these biomedical devices.

The Company has elected to apply Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock options issued to employees (intrinsic value) and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. Had the Company elected to recognize compensation cost based on the fair value of the options granted at the grant date as prescribed by SFAS No. 123, the Company's net loss and loss per common share would have been as follows:

Three months ended May 31,	2003	2002
Net loss - as reported	$ (658,135)	$ (937,829)
Add: Stock-based employee compensation Expense included in reported net loss, net of related tax effects	30,000	50,000
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	50,000	115,000
Net loss - pro forma	$ (678,135)	$(1,002,829)
Basic and diluted loss per share - as reported	$ (.02)	$ (.03)
Basic and diluted loss per share - pro forma	$ (.02)	$ (.03)

PREPAID EXPENSES:

Prepaid expenses at May 31, 2003 consist of the following:

Prepaid consulting fees	$ 26,966
Prepaid insurance	6,286
Prepaid supplies	18,125
	$ 51,377

LOAN AGREEMENTS:

In June 2002, the Company signed a Loan Agreement with a stockholder providing for borrowings of up to $400,000 with interest payable at 8% per annum.

Principal and accrued interest become due and payable on December 31, 2003. At May 31, 2003, $143,570 had been borrowed under this Agreement.

In June 2002, the Company executed a line-of-credit agreement (the "Line") with Biomed that provided for borrowings up to $250,000. Interest accrues at 8% per annum. Upon execution of the Line, Biomed received warrants to purchase 325,000 shares of restricted common stock at $1.00 per share. The warrants were valued at approximately $234,000 which was recorded as a discount against the Convertible Promissory Note (the "Note") supporting the Line. At issuance, the Note was convertible into shares of the Company's common stock, at a price below the market value of such stock. The intrinsic value of the beneficial conversion feature of the Note was recorded as an additional discount, such that the full $250,000 issued was discounted, with a corresponding increase to additional paid-in capital.

On August 19, 2002, the Line was increased by $100,000 and the expiration date thereof was extended to August 19, 2003. The payment date of amounts borrowed under the original Line was extended to December 1, 2002. In consideration for the increase in the Line, Biomed received 30,000 additional warrants to purchase shares of restricted common stock at a price dependent on the selling price of the Company's stock, as defined. The exercise price of the warrants issued to Biomed in exchange for the increase in the line of credit to $350,000 and the extension of the payment date to December 1, 2002 is the lowest of (i) the closing bid price on June 4, 2002; (ii) the closing bid price on the date of exercise; or (iii) the lowest per share purchase price paid by any third party between June 4, 2002 and the exercise date. The fair value of the warrants - in accordance with guidance provided by Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation - was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 5.25; no dividend yield; volatility factor of the expected market price of the company's common stock of 0.0%, and an expected life of 2.8 years. The value attributed to the warrants was insignificant. As a result, these warrants have been allocated no value. The Company has drawn an additional $50,000 under the Line, which was also fully discounted as a result of the beneficial conversion feature, which was recorded as additional paid-in capital. At May 31, 2003, the Company has borrowed the full amount of $350,000 under the Line.

Under the Transfer Agreement dated December 1, 2000, the Company incurred a liability ("MRI technology purchase liability payable") of $500,000 (including interest of $75,000) to Biomed in connection with the acquisition of the MRI intellectual property rights described above. Biomed maintains a security interest in the underlying patents until the liability is satisfied. The intellectual property rights will revert to Biomed if the Company does not satisfy the liability by June 1, 2004. The stated liability bears interest at an annual rate of 8%.

In December 2002, in consideration for extending the maturity date to June 1, 2004 and for prior extensions, the Company and Biomed agreed to make the $500,000 MRI technology purchase liability payable to Biomed convertible at Biomed's election into shares of the Company's common stock at a price dependent on the selling price of the Company's stock, as defined, but below market. Consequently, the intrinsic value of the beneficial conversion feature of the liability was recorded as a discount, such that the full $500,000 was discounted, with a corresponding increase to additional paid-in capital. At May 31, 2003, the balance of the MRI technology purchase liability payable, net of a discount of $333,334, is $166,666.

At May 31, 2003, the principal amounts of the Company's obligations approximated their estimated fair values based upon current borrowing rates for similar issues.

CHANGES IN EQUITY:

Effective August 22, 2002, the Company entered into a finder's agreement with a domestic consulting firm providing for the sale of restricted shares of common stock pursuant to Regulation D under the Securities Act. The finder received a cash fee of 10% plus stock. The private placement was completed in January 2003 and the Company issued a total of 5,541,100 shares of stock for aggregate net proceeds of $1,244,505.

During November 2002, the Company entered into a Stock Purchase Agreement with an institutional investor whereby the Company agreed to sell up to $3,000,000 of the Company's common stock. The agreement requires the Company to file with the Securities and Exchange Commission ("SEC") a Registration Statement covering the shares issuable under this agreement. The Company can begin selling shares to the purchaser immediately after the SEC declares the above-mentioned Registration Statement effective. The Company has filed and the registration became effective on July 11, 2003.

SUBSEQUENT EVENT:

In June 2003, $183,950 of the $350,000 of Line of Credit convertible notes under which the Company is obligated to Biomed Solutions, LLC was sold and converted to 1,268,621 shares of common stock in accordance with the convertible terms of the notes.

Item 2. PLAN OF OPERATION

The following information should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Form 10-QSB. This Quarterly Report on Form 10-QSB contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual events or results may differ materially from those projected in the forward-looking statements as a result of a number of factors including those identified herein and in the Company's Annual report on Form 10-KSB and other periodic reports and filings with the Securities and Exchange Commission.

We are currently in the development stage of operations and expect to be in that mode for at least the next twelve months. Our primary mission is to develop and commercially exploit technologies for enabling cardiac pacemakers and other life sustaining medical devices to be safe and compatible with magnetic resonance imaging (MRI) and other equipment that generates powerful magnetic and radio frequency signals.

We have filed a registration statement with the SEC to register 8,960,000 shares of our common stock to be sold to Spectrum Advisors under an equity line of credit agreement. The registration statement was declared effective on July 11, 2003. We will receive proceeds only from draw-downs under the equity line of credit. We estimate that proceeds from potential sales of our stock to Spectrum Advisors under the equity line of approximately $2,437,000 will be sufficient to satisfy our cash requirements over the ensuing twelve months. If we are limited to the condition that Spectrum may not own more than 9.9% of the outstanding shares at any one time, we would be able to draw down only approximately $1,163,000 under the equity line. Accordingly, we

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would have to curtail some of our programs, reduce our expenses and renegotiate loans based on the available funds. Our estimate of the use of proceeds given each situation is as follows:

	Proceeds from Spectrum	9.9% Limitation
Research and product development	$ 970,000	$ 526,000
Operating expenses, including administrative salaries and benefits, office expenses, rent expense, legal and accounting, publicity, investor relations	858,300	295,700
Repay related party loans plus interest	290,000	150,000
Commission on draw downs under equity line of credit	243,700	116,300
Costs of registration	75,000	75,000
	$2,437,000	$1,163,000

The above table takes into consideration the cost of filing the aforementioned registration statement and includes legal, accounting and printing expenses and filing fees. Operating expenses are an estimate of expenditures we anticipate in operating our business, based on the level of funds realized from the line of credit.

We intend to pursue our research and product development activities, concentrating the major portion of our available resources on the shielding and filtering technologies for achieving MRI safe solutions. We have identified a core group of potential customers/development partners for our technology and continue to meet with these companies on a regular basis. We are obligated by confidentiality and nondisclosure agreements with the companies we are speaking with concerning potential relationships. We have received several term sheets from interested biomedical device manufacturers but have not accepted any of the offers at this time. However, our negotiations with these entities and our evaluation of their proposals is continuing.

Our goal is to enter into a development arrangement with one or more of these entities whereby the entity would provide financial and research support to further the commercialization of our technologies. In addition to seeking development arrangements with potential partners, we will continue to expand our technology portfolio by seeking to acquire complementary technologies through licensing arrangements with other third parties. Key members of our management team have and will continue to attend and present technical papers at industry trade conferences and to leaders in the pacing and medical device arena.

We estimate that our research and development plan will require approximately $970,000 of our funds over the next twelve months, or $526,000 if we are subject to the 9.9% limitation, dedicated to the following activities:

	Proceeds from Spectrum	9.9% Limitation
MRI Shielding for Active Medical Devices	$ 344,000	$ 311,000
MRI Shielding for Passive Medical Devices	238,000	215,000
Photonic Technology for Intraluminal MR Imaging	388,000	-0-
	$ 970,000	$ 526,000

The MRI Shielding project entails the development of technology that may be applied to active medical devices such as pacemakers, drug pumps and others, and to passive medical devices such as biopsy needles, guidewires and others, to allow patients to undergo MRI diagnostics. The Intraluminal project involves the use of our photonic technology to develop products that improve the image quality and reduce the scan time of MRI diagnostic procedures.

Our photonic technology uses miniature electronic components to convert both power and data signals from electicity to light, thus eliminating the need for long wires inside the body. These wires are the source of unwanted heating and electrical charges that result from the magnetic and radio frequency fields used in MRI. Replacing wires with optical fibers eliminates these problems. Microcoils are a miniature version of MRI receiver coils that, rather than being external to the body as in traditional MRI, can be incorporated into a catheter and inserted inside the opening (or lumen) inside the body (thus "intraluminal microcoil"). The projects will be conducted in orderly phases, first demonstrating technical feasibility, then completing detailed product designs, verifying and validating the designs. A commercialization partner will be able to intersect at any stage of development of a project.

The related party loans include a $350,000 line of credit agreement with Biomed Solutions, LLC, which is a shareholder of Biophan and of which Michael L. Weiner, our CEO, is a manager and part owner. As of May 31, 2003, $350,000 was outstanding under this agreement. In June 2003, $183,950 was converted and we issued 1,268,621 shares of common stock in exchange. The loan bears interest at 8% per annum and is due and payable in 10 equal consecutive monthly installments commencing upon the effectiveness of our current registration statement. Related party loans also include a loan of $143,570 from H. Deworth Williams, a less than 5% stockholder. This loan also bears interest at 8% per annum and is due on December 31, 2003.

Our current strategic plan does not indicate a need for material capital expenditures in the conduct of research and development activities, nor does the plan contemplate any significant change in the number of employees. We currently employ ten (10) full-time individuals.

New Accounting Standards

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. The following accounting policies involve a "critical accounting estimate" because they are particularly dependent on estimates and assumptions made by management about matters that are highly uncertain at the time the accounting estimates are made. In addition, while we

have used our best estimates based on facts and circumstances available to us at the time, different estimates reasonably could have been used in the current period, or changes in the accounting estimates we used are reasonably likely to occur from period to period which may have a material impact on the presentation of our financial condition and results of operations. We review these estimates and assumptions periodically and reflect the effects of revisions in the period that they are determined to be necessary.

Acquired Intangibles

Acquired intangibles are reviewed for impairment whenever events such as a significant industry downturn, product discontinuance, product disposition, technology obsolescence or other changes in circumstances indicate that the carrying amount may not be recoverable. When such events occur, we compare the carrying amount of these assets to their undiscounted expected future cash flows. If this comparison indicates that there is an impairment, the amount of the impairment is calculated using discounted expected future cash flows. Our estimates of undiscounted and discounted future cash flows are dependent upon many factors, including general economic trends, industry trends, and technological developments. It is reasonably likely that future cash flows associated with these assets may exceed or fall short of our current estimates, in which case a different amount for our intangible assets and the related impairment charge would have resulted. If our actual cash flows exceed our estimates of future cash flows, there would be no change to our previously recognized impairment charge although, it may indicate that the amount of the impairment was greater than needed. If our actual cash flows are less than our estimates of future cash flows, we may need to recognize an additional impairment in future periods, which would be limited to the current carrying value of our acquired intangible assets.

Tax Valuation Allowance

A tax valuation allowance is established, as needed, to reduce net deferred tax assets to the amount for which recovery is probable. We have established a full valuation allowance against our net deferred tax assets because our lack of revenues and our recurring losses as a development stage company cause our long term financial forecast to have enough uncertainty that we do not meet the standard of "more likely than not" that is required for measuring the likelihood of realization of net deferred tax assets. In the event it becomes more likely than not that some or all of the deferred tax assets will be realized, our valuation allowance will be adjusted. Depending on the amount and timing of taxable income we ultimately generate in the future, as well as other factors, we could recognize no benefit from our deferred tax assets, in accordance with our current estimate, or we could recognize their full value.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

Based on an evaluation under the supervision and with the participation of our management as of a date within 90 days of the filing date of this Quarterly

Report on Form 10-QSB, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the securities Exchange Act of 1934, are effective to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

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Changes in Internal Controls.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. There were no significant deficiencies or material weaknesses, and therefore there were no corrective actions taken. However, the design of any system of controls is based in part upon certain assumptions about the likelihood of future events and there is no certainty that any design will succeed in achieving its stated goal under all potential future considerations, regardless of how remote.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material legal proceedings and there are no material legal proceedings pending with respect to our property. We are not aware of any legal proceedings contemplated by any governmental authorities involving either us or our property. None of our directors, officers or affiliates is an adverse party in any legal proceedings involving us or our subsidiaries, or has an interest in any proceeding which is adverse to us or our subsidiaries.

Item 2. Changes in Securities and Use of Proceeds

On June 30, 2003, we issued 1,268,621 shares of common stock for the conversion of $183,950 of the $350,000 Line of Credit obligation payable to Biomed Solutions, LLC. Biomed had previously sold that portion of its receivable to a single purchaser, Bellador Advisory Services (Labuan) Ltd., a Kuala Lumpur, Malaysia company. The shares were issued to Bellador and its assigns pursuant to the exemption provided by Section 3(a)(9) of the Securities Act of 1933, involving a private transaction in exchange for debt, and pursuant to the provisions of Regulation S of the Securities Act. All recipients of the shares were nonaffiliated, non U.S. persons deemed to be accredited investors and/or persons with knowledge of business. There was no general solicitation or general advertising related to the transaction, and the recipients were required to represent that they were non U.S. persons and that they were not acquiring the shares for the account or benefit of any U.S. Person. The offer to purchase the shares was not made to a person in the United States and, at the time of the transaction, the purchasers were outside the United States. All securities representing the shares were issued with appropriate restrictive legends.

Item 3. Defaults Upon Senior Securities

This Item is not applicable.

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

This Item is not applicable.

Item 5. Other Information

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This Item is not applicable to the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

No.

*EX-2.1 Articles of Merger filed as Exhibit to Form 10-KSB for the year ended February 29, 2000.

*EX-2.2 Articles of Dissolution filed as Exhibit to Form 10-KSB for the year ended February 29, 2000.

*EX-2.3 Exchange Agreement, dated as of December 1, 2000, by and among Biophan, Biomed Solutions, LLC (formerly Biophan, LLC), and LTR, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-3.1 Certificate of Incorporation (Nevada) filed as Exhibit to Form 10-KSB for the year ended February 29, 2000.

*EX-3.2 Bylaws (Nevada) Filed as exhibit to Form 10-KSB for the year ended February 28, 2002.

*EX-3.3 Amendment to the Articles of Incorporation filed as part of Form 8-K, filed December 15, 2000.

*EX-3.4 Amendment to Exchange Agreement filed as Exhibit to Form 10-KSB for the year ended February 28, 2001.

*EX-3.5 Certificate of Amendment to Articles of Incorporation filed as exhibit to Form 8-K on August 27, 2001.

*EX-4.1 Stock Purchase Warrant between Biophan and Biomed Solutions, LLC (formerly Biophan, LLC) dated June 4, 2002, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-4.2 Stock Purchase Warrant between Biophan and Bonanza Capital Masterfund LTD, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-4.3 Restated Stock Purchase Warrant between Biophan and Biomed Solutions, LLC, dated January 8, 2003, filed as Exhibit to Form 10-QSB for the period ended November 30, 2002.

*EX-4.4 Stock Purchase Warrant between Biophan and Biomed Solutions, LLC dated November 11, 2002, filed as Exhibit to Form 10-QSB for the period ended November 30, 2002.

*EX-4.5 Form of Stock Purchase Warrant issued to principals of Carolina Financial Services, for a total of 121,572 shares, filed as Exhibit to Form 10-QSB for the period ended November 30, 2002.

*EX-4.6 Form of Stock Purchase Warrant to be issued to Carolina Financial services in connection with the Stock Purchase Agreement with Spectrum Advisors, Ltd, filed as Exhibit to Form 10-QSB for the period ended November 30, 2002.

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*EX-4.7 Form of Stock Purchase Warrant issued to investors in private placement of securities, for a total of 2,770,550 shares, filed as Exhibit to Form 10-QSB for the period ended November 30, 2002.

*Ex-4.8 Stock Purchase Warrant issued to SBI USA, LLC , filed as Exhibit to Form 10-QSB for the period ended November 30, 2002.

*EX-10.1 Assignment, dated as of December 1, 2000, by and between Biophan and Biomed Solutions, LLC (formerly Biophan, LLC), a New York limited liability company, filed as part of Form 8-K, filed December 15, 2000.

*EX-10.2 Security Agreement, dated as of December 1, 2000, by and between Biophan and Biomed Solutions, LLC (formerly Biophan, LLC), a New York limited liability company, filed as part of Form 8-K, filed December 15, 2000.

*EX-10.3 Transfer Agreement filed as Exhibit to Form 10-KSB for the year ended February 28, 2001.

*EX-10.4 Amendment to Transfer Agreement filed as Exhibit to Form 10-KSB for the year ended February 28, 2001.

*EX-10.5 Line of Credit Agreement between Biophan and Biomed Solutions, LLC dated June 4, 2002, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.6 Convertible Promissory Note between Biophan and Biomed Solutions, LLC dated June 4, 2002, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.7 Loan Agreement between Biophan and H. Deworth Williams dated June 18, 2002, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.8 Stock Purchase Agreement between Biophan and Bonanza Capital Masterfund LTD, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.9 Escrow Agreement between Biophan, Bonanza Capital Masterfund LTD and Boylan, Brown, Code, Vigdor & Wilson LLP, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.10 Registration Rights Agreement between Biophan and Bonanza Capital Masterfund LTD, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.11 Executive Employment Agreement between Biophan and Michael L. Weiner dated December 1, 2000, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.12 Executive Employment Agreement between Biophan and Jeffrey L. Helfer dated June 6, 2002, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.13 Executive Employment Agreement between Biophan and Stuart G. MacDonald dated June 6, 2002, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.14 Executive Employment Agreement between Biophan and Robert J. Wood dated June 6, 2002, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.15 Financial Accommodations Agreement between Biophan and Bellador (Labuan) Ltd dated July 1, 2002, filed as Exhibit to Form 10-QSB for the period ended May 31, 2002.

*EX-10.16 Stock Purchase Agreement between Biophan and Spectrum Advisors, LTD., filed as Exhibit to Form 10-QSB for the period ended November 30, 2002.

*EX-10.17 Escrow Agreement between Biophan, Spectrum Advisors, Ltd. and Boylan, Brown, Code, Vigdor & Wilson LLP., filed as Exhibit to Form 10-QSB for the period ended November 30, 2002.

*EX-10.18 Registration Rights Agreement between Biophan and Spectrum Advisors, Ltd., filed as Exhibit to Form 10-QSB for the period ended November 30, 2002.

*EX-10.19 Lease Agreement between Biophan and High Technology of Rochester, Inc. dated October 8, 2001, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.20 Strategic Partnership Agreement between Biophan and UB Business Alliance dated December 10, 2001, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.21 License Agreement between Biophan and Xingwu Wang and Nanoset, LLC dated February 7, 2002, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.22 Patent License Agreement between Biophan and Deborah D. L. Chung dated April 5, 2002, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.23 License Agreement between Biophan and Johns Hopkins University dated April 24, 2002, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.24 Advisory Agreement between Biophan and SBI USA, LLC dated December 18, 2002, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.25 Development Agreement between Biophan and Alfred University dated February 21, 2002, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.26 Development Agreement between Biophan and Alfred University dated January 24, 2003, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.27 First Amendment to Restated Stock Purchase Agreement between Biophan and Spectrum Advisors, Ltd., dated March 10, 2003, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.28 Development Agreement between Biophan and Greatbatch Enterprises, Inc., dated February 28, 2001, filed as an exhibit to Form SB-2/a on March 14, 2003.

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*EX-10.29 Assignment of Patent No: 60,269,817, by and between Biophan and Michael L. Weiner, Wilson Greatbatch, Patrick R. Connelly, and Stuart G. MacDonald, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.30 Assignment of Patent No: 10,077,988, by and between Biophan and Patrick R. Connelly, Michael L. Weiner, Stuart G. MacDonald, Thomas H. Foster, Wilson Greatbatch, and Victor Miller, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.31 Assignment of Patent No: 10,077,836, by and between Biophan and Michael L. Weiner, Stuart G. MacDonald, and Patrick R. Connelly, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.32 Assignment of Patent No: 10,077,823, by and between Biophan and Patrick R. Connelly, Michael L. Weiner, Jeffrey L. Helfer , Stuart G. MacDonald, and Victor Miller, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.33 Assignment of Patent No: 10,077,978, by and between Biophan and Michael L. Weiner, Jeffrey L. Helfer, Stuart G. MacDonald, Patrick R. Connelly, and Victor Miller, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.34 Assignment of Patent No: 10,078,062, by and between Biophan and Michael L. Weiner, Patrick R. Connelly, Stuart G. MacDonald, Jeffrey L. Helfer, Victor Miller, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.35 Assignment of Patent No: 10,077,932, by and between Biophan and Michael L. Weiner, Jeffrey L. Helfer, Patrick R. Connelly, Stuart G. MacDonald, and Victor Miller, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.36 Assignment of Patent No: 10,077,887, by and between Biophan and Michael L. Weiner, Jeffrey L. Helfer, Patrick R. Connelly, Stuart G. MacDonald, and Victor Miller, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.37 Assignment of Patent No: 10,077,883, by and between Biophan and Michael L. Weiner, Jeffrey L. Helfer, Patrick R. Connelly, Stuart G. MacDonald, and Victor Miller, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.38 Assignment of Patent No: 10,077,958, by and between Biophan and Michael L. Weiner, Jeffrey L. Helfer, Patrick R. Connelly, Stuart G. MacDonald, and Victor Miller, filed as an exhibit to Form

SB-2/a on March 14, 2003.

*EX-10.39 Assignment of Patent No: 10,077,888, by and between Biophan and Patrick R. Connelly, Stuart G. MacDonald, and Michael L. Weiner, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.40 Assignment of Patent No: 60,357,935, by and between Biophan and Jeffrey L. Helfer, Robert W. Gray, and Michael L. Weiner, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.41 Assignment of Patent No: 10,132,457, by and between Biophan and Stuart G. MacDonald, Jeffrey L. Helfer, and Michael L. Weiner,

filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.42 Assignment of Patent No: 09,864,944, by and between Biophan and Wilson Greatbatch, Patrick R. Connelly and Michael L. Weiner, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.43 Assignment of Patent No: 09,865,049, by and between Biophan and Victor Miller, Wilson Greatbatch, Patrick R. Connelly and Michael L. Weiner, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.44 Assignment of Patent No: 09,885,867, by and between Biophan and Wilson Greatbatch, Patrick R. Connelly and Michael L. Weiner, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.45 Assignment of Patent No: 09,885,868, by and between Biophan and Victor Miller, Wilson Greatbatch, Patrick R. Connelly and Michael L. Weiner, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.46 Assignment of Patent No: 10,283,530, by and between Biophan and Wilson Greatbatch and Michael L. Weiner, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.47 Assignment of Patent No: 10,369,429, by and between Biophan and Jeffrey L. Helfer, Robert W. Gray, and Michael L. Weiner, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.48 Assignment of Patent No: 10,162,318, by and between Biophan and Biomed Solutions, LLC, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-10.49 Strategic Partnership Agreement between Biophan and UB Business Alliance dated May 27, 2003 filed as an exhibit to Form SB-2/a on June 12, 2003.

*EX-16.1 Letter on change of accountants filed as Exhibit to Form 10-KSB for the year ended February 28, 2001.

*EX-16.2 Appointment of independent public accountants filed as exhibit to Form 8-K on May 7, 2001.

*EX-21 Subsidiaries filed as Exhibit to Form 10-KSB for the year ended February 28, 2001.

*EX-22.1 Definitive Proxy Statement filed with the Securities and Exchange Commission on January 10, 2000

*EX-22.2 Definitive Proxy Statement filed with the Securities and Exchange Commission on June 3, 2001.

*EX-23.1 Auditors' Consent - Goldstein Golub Kessler LLP, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-23.2 Consent of Frank G. Shellock, filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-23.3 Consent of Robert Rubin M.D., filed as an exhibit to Form SB-2/a on March 14, 2003.

*EX-99.1 2001 Stock Option Plan filed as exhibit to Form 8-K on August 27, 2001.

EX-99.2 Certification of C.E.O. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EX-99.3 Certification of C.F.O. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Exhibits so marked have heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and are incorporated herein by reference.

(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the period ended May 31, 2003.

SIGNATURES

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

BIOPHAN TECHNOLOGIES,INC.
(Registrant)

Date: July 15, 2003

By: /s/ Michael L. Weiner

Name: Michael L. Weiner,
Title: Chief Executive Officer

By: /s/ Robert J. Wood

Name: Robert J. Wood
Title: Chief Financial Officer

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael L. Weiner, Chief Executive Officer of Biophan Technologies, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Biophan Technologies, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 15, 2003

/s/Michael L. Weiner

Michael L. Weiner
Chief Executive Officer

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CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert J. Wood, Chief Financial Officer of Biophan Technologies, Inc. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Biophan Technologies, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 15, 2003

/s/Robert J. Wood

Robert J. Wood
Chief Financial Officer

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