BIOPHAN TECHNOLOGIES INC
Form 10-Q/A
January 24, 2007

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

FORM 10-Q/A

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: August 31, 2006

OR

|_| 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 registrant 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
(Registrant's telephone number, including area code)

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

Yes |X| No |_|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one).

Large Accelerated Filer |_| Accelerated Filer |X| Non-Accelerated Filer |_|

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

Yes |_| No |X|

Indicate 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 October 6, 2006 - Common Stock, $.005 par value - 82,819,199 shares

EXPLANATORY NOTE

We are filing this Amendment #1 to our Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2006 for the following purposes:

(a) In Part I, Item 1, Financial Statements, to restate our financial statements to reflect a change in our accounting for our investment in Myotech, LLC a development stage company, and a developer of cardiac assist technologies. FASB Interpretation No. 46 (FIN-46R) (Revised December 2003), Consolidation of Variable Interest Entities, requires that if an enterprise is the primary beneficiary of a variable interest entity, the assets, liabilities and results of operations of the variable interest entity should be included in the consolidated financial statements of the enterprise. On November 30, 2005 we acquired 3,768,488 Class A (voting) units of Myotech (representing a 35% equity interest), in exchange for 4,923,080 shares of our common stock valued at $8,467,698. This investment was previously accounted for using the equity method.

We have determined that Myotech is a variable interest entity in accordance with FIN-46R and have concluded that we are the primary beneficiary as defined by FIN-46R. As a result, we are required to consolidate Myotech as of the date of acquisition of November 30, 2005. Therefore, the consolidated financial statements included in this amended Quarterly Report on Form 10-Q have been restated to include the accounts of Myotech.

(b) In Part I, Item 4, Controls and Procedures, to disclose our conclusions regarding the effectiveness of our financial reporting controls and procedures.

(c) In Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, to amend the financial analyses to reflect the restatement of financial statements as explained above.

(d) To amend such other financial information included elsewhere as affected by the restatement of our financial statements.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2006 (Unaudited) (Restated)	February 28, 2006 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 582,443	$ 1,477,716
Accounts receivable	66,919	170,058
Due from related parties	44,881	4,801
Prepaid expenses	140,464	147,203
Other current assets	54,312	81,048
Total current assets	889,019	1,880,826
Property and equipment, net	185,351	126,341
Other assets:		
Intangible assets, net of amortization:		
Myotech, LLC	23,762,804	24,451,580

Other	1,363,024	1,403,270
Investment in New Scale Technologies, Inc.	100,000	100,000
Security deposit	6,049	6,049
Deferred tax asset, net of valuation allowance of $9,431,000 and $7,560,000, respectively	--	--
	25,231,877	25,960,899
	$ 26,306,247	$ 27,968,066

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	$ 2,066,078	$ 1,191,812
Line of credit - related party, net of discount of $1,098,442 and $1,323,921, respectively	3,331,558	1,476,079
Notes payable	74,634	15,886
Due to related parties	724	26,548
Common stock subscribed	1,050,000	--
Deferred revenues	83,333	520,833
Total current liabilities	6,606,327	3,231,158
Minority interest	13,929,107	15,189,109
Stockholders' equity:		
Common stock $.005 par value: Authorized, 125,000,000 shares Issued, 82,819,199 and 81,805,243 shares, respectively	414,096	409,026
Additional paid-in capital	52,691,778	49,576,129
	53,105,874	49,985,155
Treasury stock, 4,923,080 shares	(8,467,698)	(8,467,698)
	44,638,176	41,517,457
Deficit accumulated during the development stage	(38,867,363)	(31,969,658)
	5,770,813	9,547,799
	$ 26,306,247	$ 27,968,066

See Notes to Condensed Consolidated Financial Statements.

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended August 31,		Six Mo Au
	2006 (Restated)	2005	2006 (Restated)
Revenues:			
Development payments	$ --	$ --	$ --
License fees	187,500	62,500	437,500
Testing services and consulting fees	122,599	--	217,521
	310,099	62,500	655,021
Operating expenses:			
Research and development	1,941,513	2,291,762	4,529,921
General and administrative	1,573,434	3,123,641	3,659,625
Write-down of intellectual property rights	--	--	--
	3,514,947	5,415,403	8,189,546
Operating loss	(3,204,848)	(5,352,903)	(7,534,525
Other income(expense):			
Interest expense	(380,934)	(767,316)	(684,407
Interest income	5,263	8,966	11,606
Other income	46,163	87,775	93,701
Other expense	--	--	--
	(329,508)	(670,575)	(579,100
Loss from continuing operations before minority interest in net loss of Myotech, LLC	(3,534,356)	(6,023,478)	(8,113,625
Minority interest in net loss of Myotech, LLC	520,095	--	1,215,920
Loss from continuing operations	(3,014,261)	(6,023,478)	(6,897,705
Loss from discontinued operations	--	--	--
Net loss	$ (3,014,261)	$ (6,023,478)	$ (6,897,705
Loss per common share - basic and diluted	$ (0.04)	$ (0.08)	$ (0.09
Weighted average shares outstanding	77,893,673	75,129,518	77,393,718

See Notes to Condensed Consolidated Financial Statements.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended August 31,	
	2006 (Restated)	2005
Cash flows used for operating activities:		
Net loss	$ (6,897,705)	$ (9,43
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	729,022	2
Depreciation	31,194	1
Loss on disposal of equipment	1,162	
Realized and unrealized losses on marketable securities	--	
Accrued interest on note converted to common stock	--	1
Amortization of interest on convertible notes payable	--	
Write-down of intellectual property rights	--	
Amortization of discount on payable to related party	498,424	72
Issuance of common stock for services	--	
Issuance of common stock for interest	--	
Stock options issued for services	839,096	4,57
Expenses paid by stockholder	--	
Minority interest	(1,260,002)	4
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	103,139	
(Increase) decrease in due from related parties	(40,080)	12
(Increase) decrease in prepaid expenses	6,739	(18
(Increase) decrease in other current assets	26,736	(1
(Increase) decrease in security deposits	--	
Increase (decrease) in accounts payable and accrued expenses	874,266	(3
Increase (decrease) in due to related parties	(25,824)	
Increase (decrease) in deferred revenues	(437,500)	68
Net cash used in operating activities	(5,551,333)	(3,44
Cash flows used for investing activities:		
Purchases of property and equipment	(91,366)	(3
Sales of marketable securities	--	
Purchase of investment	--	
Acquisition costs of intangible assets	--	
Cash paid for investment in Myotech, net of cash received of $19,408	--	
Cash paid for acquisition of Biophan Europe, net of cash received of $107,956	--	
Purchases of marketable securities	--	
Net cash used in investing activities	(91,366)	(3
Cash flows provided by financing activities:		
Proceeds of bridge loans	--	
Loan from stockholder	--	
Line of credit borrowing from related party, net of discount	3,630,000	2,00
Line of credit payments	(2,000,000)	
Notes payable	58,748	(18
Common stock subscribed	1,050,000	
Proceeds from sale and subscription of common stock	2,000,000	6,05

Exercise of options	8,678	18
Exercise of warrants	--	2
Swing profits	--	29
Deferred equity placement costs	--	
Net cash provided by financing activities	4,747,426	8,36
Net increase(decrease) in cash and cash equivalents	(895,273)	4,88
Cash and cash equivalents, beginning	1,477,716	75
Cash and cash equivalents, ending	$ 582,443	$ 5,63

See Notes to Condensed Consolidated Financial Statements.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months En August 31	
	2006 (Restated)	--
Supplemental schedule of cash paid for:		
Interest	$ 30,000	$
Supplemental schedule of non cash investing and financing activities:		
Allocation of proceeds from line of credit - related party to beneficial conversion feature and warrants	$ 272,945	$
Issuance of common stock upon conversion of line of credit loans	$ --	$
Issuance of common stock for the acquisition of a 35% interest in Myotech, LLC	$ --	$
Issuance of common stock in satisfaction of accounts payable	$ --	$
Liabilities assumed in conjunction with acquisition of 51% interest in Biophan Europe and certain intellectual property rights:		
Fair value of assets acquired		
Cash paid		
Promissory note issued		
Restricted stock issued		

Payables incurred		
Liabilities assumed	$ --	$
Issuance of common stock upon conversion of bridge loans	$ --	$
Acquisition of intellectual property	$ --	$
Intellectual property acquired through issuance of capital stock and assumption of related party payable	$ --	$

See Notes to Condensed Consolidated Financial Statements.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2006

INTERIM FINANCIAL STATEMENTS:

The condensed consolidated financial statements as of August 31, 2006 and for the three and six months ended August 31, 2006 and 2005 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. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K/A for the fiscal year ended February 28, 2006.

BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of Biophan Technologies, Inc. ("Biophan"), its wholly owned subsidiaries, LTR Antisense Technology, Inc.("Antisense") and Nanolution, LLC, formerly MRIC Drug Delivery Systems, LLC, ("Nanolution"), its majority owned subsidiaries Biophan Europe GmbH ("Biophan Europe"), formerly aMRIs GmbH, and TE Bio LLC ("TE Bio"), and Myotech, LLC ("Myotech"), a variable interest entity, collectively referred to as the "Company". All significant inter-company accounts and transactions have been eliminated in consolidation.

FASB Interpretation No. 46 (FIN-46R) (Revised December 2003), Consolidation of Variable Interest Entities, requires that if an enterprise is the primary beneficiary of a variable interest entity, the assets, liabilities and results of operations of the variable interest entity should be included in the consolidated financial statements of the enterprise.

COMPANY HISTORY:

The Company was incorporated under the laws of the State of Idaho on August 1, 1968 and on January 12, 2000, changed its domicile to Nevada by merging into a Nevada corporation, and on July 19, 2001, changed its name to Biophan

Technologies, Inc. From the inception of the current line of business on December 1, 2000, the Company has not generated any material revenues and operating profits. Therefore, the Company is in the development stage and will remain so until the realization of significant revenues and operating profits. The Company's ability to continue in business is dependent upon maintaining sufficient financing or attaining future profitable operations.

PRINCIPAL BUSINESS ACTIVITIES:

The primary mission is to develop and commercially exploit technologies for improving the performance, and as a result, the competitiveness of biomedical devices manufactured by third party companies. The Company possesses technologies for enabling biomedical devices, both implantable and those used in diagnostic and interventional procedures, to be safe (do not harm the patient or physician) and image compatible (allow effective imaging of the device and its surrounding tissue) with MRI (magnetic resonance imaging). The Company is also developing and marketing an image compatible ceramic motor; a system for generating power for implantable devices from body heat, and a series of implantable devices including MRI-visible vascular implants such as a vena cava filter, a heart valve and an occluder for the treatment of atrial septal defects, a hole in the wall separating the left and right chambers of he heart. The Company's first licensee for several of these technologies is Boston Scientific (NYSE: BSX). The Company is also an owner of a substantial minority interest, with rights to take a majority interest, in Myotech, (accounted for as a variable interest entity) developer of the MYO-VAD, a cardiac assist device that does not contact circulating blood and utilizes technology that has the potential to become a standard of care in the device market for treating multiple types of acute and chronic heart failure including congestive heart failure and sudden cardiac arrest.

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company has two stock-based compensation plans, entitled Biophan Technologies, Inc. 2001 Stock Option Plan and Biophan Technologies, Inc. 2006 Incentive Stock Plan (the "Plans") which are stockholder approved. The Plans provide for the grant of incentive and non-qualified stock options to selected employees, and the grant of non-qualified options to selected consultants and to directors and advisory board members. In addition, various other types of stock-based awards may be granted. The Plans are administered by the Compensation Committee of the Board and authorizes the grant of options or restricted stock awards for 13,000,000 shares under the 2001 Plan and 7,500,000 shares under the 2006 Plan. The Compensation Committee determines which eligible individuals are to receive options or other awards under the Plans, the terms and conditions of those awards, the applicable vesting schedule, the option price and term for any granted options, and all other terms and conditions governing the option grants and other awards made under the Option Plan. Non-employee directors also receive periodic option grants pursuant to the automatic grant program in effect for them under the 2006 Plan.

Effective March 1, 2006, the Company adopted SFAS No. 123 (revised), "Share-Based Payment" (SFAS 123(R)) utilizing the modified prospective approach. Prior to the adoption of SFAS 123(R), stock option grants to employees and directors were accounted for in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" (the intrinsic value method) and the disclosure-only provisions of SFAS 123, "Accounting for Stock-Based Compensation." Accordingly, employee compensation expense was recognized only to the extent that the fair value of our common stock on the date of grant exceeded the stock option exercise price.

Under the modified prospective approach, SFAS 123(R) applies to new grants and to grants that were outstanding on February 28, 2006 that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized in the first two quarters of fiscal 2007 includes compensation cost for all share-based payments granted prior to, but not yet vested as of February 28, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and compensation cost for all share-based payments granted subsequent to February 28, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). Prior periods were not restated to reflect the impact of adopting the new standard.

As a result of adopting SFAS 123(R) on March 1, 2006, our net loss and basic and diluted loss per share for the three months and the six months ended August 31, 2006, were $213,096 ($.003 per share) and $691,045 ($.009 per share) higher, respectively, than if we had continued to account for stock-based compensation under APB Opinion No. 25 for our stock option grants.

The following table illustrates the effect on operating results and per share information had the Company accounted for stock-based compensation in accordance with SFAS 123(R) for the three months and six months ended August 31, 2005:

	Three Months Ended August 31, 2005	Six Months Ended August 31, 2005
Net loss - as reported	$ (6,023,478)	$ (9,433,316)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	2,986,530	4,325,530
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3,904,417)	(6,059,454)
Net loss - pro forma	$ (6,941,365)	$ (11,167,240)
Basic and diluted loss per share - as reported	$ (.08)	$ (.13)
Basic and diluted loss per share - pro forma	$ (.09)	$ (.15)

We use the Black-Scholes option pricing model to estimate the fair value of stock-based awards with the following weighted-average assumptions for the indicated periods:

	Three Months Ended August 31,	Three Months Ended August 31,	Six Months Ended August 31,	Six Months E August

	2006	2005	2006	2005
Expected volatility	119.7	87.8	119.7-121.8	60.3-8
Risk-free interest rate	5.35%	4.08%	4.6%-5.35%	4.08%-4
Expected life of options	8 years	10 years	4-8 years	10 ye
Weighted-average grant-date fair value	$0.79	$1.91	$1.09	$2.0
Expected dividends	-0-	-0-	-0-	-0-

The assumptions above are based on multiple factors, including historical exercise patterns of employees in relatively homogeneous groups with respect to exercise and post-vesting employment termination behaviors, expected future exercising patterns for these same homogeneous groups and the implied volatility of our stock price.

At August 31, 2006, there was $1,486,823 of unrecognized compensation cost related to stock-based payments which is expected to be recognized over a weighted-average period of 1.38 years.

ACCOUNTING FOR STOCK-BASED COMPENSATION (Continued)

The following table represents stock option activity for the six months ended August 31, 2006:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contract Life
Outstanding options at 2/28/06	9,594,020	$ .95	
Granted	240,000	$1.19	
Exercised	(13,956)	$ .62	
Forfeited	(92,000)	$1.18	
Expired	(90,000)	$ .50	
Outstanding options at end of period	9,638,064	$ .96	7.09
Outstanding exercisable at end of period	6,993,064	$ .82	6.58

Shares available for future stock option grants to employees and others under our 2001 Stock Option Plan were 337,982. Shares available for future stock option grants to employees and others under our 2006 Stock Option Plan were 7,340,000.

At August 31, 2006, the aggregate intrinsic value of options outstanding was $1,223,708, and the aggregate intrinsic value of options exercisable was $1,066,571. Total intrinsic value of options exercised was $7,973 for the six months ended August 31, 2006.

The following table summarizes our nonvested stock option activity for the six

months ended August 31, 2006:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested stock options at beginning of period	3,048,750	$1.31
Granted	240,000	$1.09
Vested	(551,750)	$1.51
Forfeited	(92,000)	$1.53
Nonvested stock options at end of period	2,645,000	$1.24

RECLASSIFICATION

For comparative purposes, certain amounts in the accompanying statement of operations for fiscal 2006 have been reclassified to conform to the presentation used for fiscal 2007. These reclassifications had no effect on previously reported results of operations or accumulated deficit.

REVENUE RECOGNITION:

The Company earns and recognizes revenue under development agreements when the phase of the agreement to which amounts relate is completed and the Company has no further performance obligation. Completion is determined by the attainment of specified milestones, such as a written progress report. Advance fees received on such agreements are deferred until recognized.

The Company recognizes initial license fees over the term of the related agreement. Revenue related to a performance milestone is recognized upon the achievement of the milestone, as defined in the respective agreements.

The Company recognizes revenues from testing services and consulting fees as services are performed.

INVESTMENT IN MYOTECH LLC AND RESTATEMENT OF FINANCIAL STATEMENTS:

Effective November 30, 2005, we entered into a Securities Purchase Agreement for the acquisition of an initial 35% interest in Myotech, LLC ("Myotech"), a New York limited liability company, whereby we exchanged 4,923,080 shares of our common stock, par value $.005, for 3,768,488 Class A (voting) units of Myotech.

Based upon the terms of the Securities Purchase Agreement, we were obligated to purchase for cash consideration of $2.225 million an additional 811,037 Class A units. We may elect to acquire up to an additional 3,563,097 Class A units for further cash consideration of up to $9.775 million, over a 24-month period, which may result in the Company owning a majority interest in Myotech. During the three month period ended February 28, 2006, Biophan provided $1,185,000 of additional funding for 431,946 newly issued Class A units of Myotech. During the six month period ended August 31, 2006, Biophan has provided $1,228,500 of additional funding satisfying the cash consideration of $2.225 million cited above, for 447,802 newly issued Class A units of Myotech, which increased our ownership to 40.4%. Additional investments of $130,000 have been made since August 31, 2006.

This investment was previously accounted for using the equity method. However, the Company has re-evaluated its investment in Myotech and has determined that Myotech is a variable interest entity in accordance with FASB Interpretation No. 46 (FIN-46R) (Revised December 2003), Consolidation of Variable Interest Entities. The Company has further concluded that it is the primary beneficiary as defined by FIN-46R and, as a result, the Company is required to consolidate Myotech as of the date of acquisition of November 30, 2005. Therefore, the consolidated financial statements of the Company have been restated to include the accounts of Myotech, LLC. The principal impact of this consolidation is an increase in assets due to the recording of the value of intangible assets acquired of $24,795,968, based on an independent appraisal, over the amount of the investment, and an increase in the amount of the minority interest representing outside interests in the equity of Myotech. Aggregate changes were as follows as of and for the three and six month periods ended August 31, 2006:

	As Previously Reported	Adjustments Increase (Decrease)	As Restated
Intangible assets, net	$ 915,879	$ 24,209,949	$ 25,125,828
Investment in Myotech, LLC	12,368,031	(12,368,031)	-0-
Other assets	1,167,281	13,138	1,180,419
	$ 14,451,191	$ 11,855,056	$ 26,306,247
Liabilities	$ 6,170,399	$ 435,928	$ 6,606,327
Minority interest	25,461	13,903,646	13,929,107
Capital stock	414,096	-0-	414,096
Additional paid-in capital	46,094,852	6,596,926	52,691,778
Treasury stock	-0-	(8,467,698)	(8,467,698)
Accumulated deficit	(38,253,617)	(613,746)	(38,867,363)
	$ 14,451,191	$ 11,855,056	$ 26,306,247
Operating loss-three months ended 8/31/06	$ (2,241,604)	$ (963,244)	$ (3,204,848)
Net loss- three months ended 8/31/06	$ (2,805,037)	$ (209,224)	$ (3,014,261)
Operating loss-six months ended 8/31/06	$ (5,370,042)	$ (2,164,483)	$ (7,534,525)
Net loss-six months ended 8/31/06	$ (6,453,314)	$ (444,391)	$ (6,897,705)

The $0.93 million increase in the operating loss for the three month period ended August 31, 2006 is primarily due to additional research and development charges of approximately $0.83 million, which includes $0.35 million of amortization of intangible assets.

The $2.16 million increase in the operating loss for the six month period ended August 31, 2006 is primarily due to additional research and development charges of approximately $1.89 million, which includes $0.70 million of amortization of intangible assets.

The following is selected financial data for Myotech, LLC:

	August 31, 2006
Total current assets	$ 18,719
Intangible assets	23,762,804
Other assets	47,819
Total assets	$ 23,829,342
Current liabilities	$ 489,328
Equity	23,340,014
	$ 23,829,342

	Three Months Ended August 31, 2006	Six Months Ended August 31, 2006
Net loss from operations	$ (1,015,086)	$ (2,274,929)

LINE OF CREDIT AGREEMENTS:

On May 27, 2005, we entered into a Line of Credit Agreement with Biomed Solutions, LLC, whereby Biomed agreed to provide a line of credit facility of up to $2 million. Borrowings under the line bear interest at 8% per annum, are payable on demand after August 31, 2006 and are convertible, at Biomed's election, into the Company's common stock at 90% of the average closing price for the 20 trading days preceding the date of borrowings under the line. In June 2005, the Company borrowed the entire $2 million under the line in two separate draws of $1 million each and, in accordance with the agreement, Biomed received warrants to purchase 500,000 shares of the Company's common stock at an exercise price of 110% of the average closing price for the 20 trading days preceding the date of execution of the credit agreement. The Company recorded a discount on the borrowings of $958,160 due to the beneficial conversion feature of the note as well as for the value of the warrants. The discount was amortized as additional interest expense over the term of the note and has been fully amortized as of November 30, 2005. On August 31, 2005, Biomed elected to convert $1 million of the note plus accrued interest into 480,899 shares of common stock at which time, the remaining discount related to the $1 million portion of the loan was fully expensed. On October 7, 2005, we repaid $500,000 of principal and all accrued interest on the loan. The balance of borrowings on the line was $500,000 at August 31, 2006.

On January 24, 2006, we entered into an additional Line of Credit Agreement (the "Line of Credit Agreement") with Biomed Solutions, LLC, a related party, pursuant to which Biomed has committed to make advances to us, in an aggregate amount of up to $5,000,000. Under the Line of Credit Agreement, advances may be drawn down in such amounts and at such times as we determine upon 15 days prior notice to Biomed, except that we may not draw down more than $1,500,000 in any 30-day period. Amounts borrowed bear interest at the rate of 8% per annum and are convertible into shares of our Common Stock at the rate of $1.46 per share. Biomed's obligation to lend to us under the Line of Credit Agreement expires on June 30, 2007, on which date the entire amount borrowed by us (and not converted into shares of our Common Stock) becomes due and payable. We are obligated to utilize the entire credit facility. In connection with the establishment of the credit facility under the Line of Credit Agreement, on January 24, 2006 we issued to Biomed a Stock Purchase Warrant (the "Warrant") entitling Biomed to

purchase up to 1,198,630 shares of our Common Stock at an exercise price of $1.89 per share. The Company previously recorded an additional discount of $272,945 on incremental borrowings of $2,650,000 due to the beneficial conversion feature of the note. The discount is being amortized as additional interest expense over the term of the note. During the quarter ended August 31, 2006 amortization of the discount on the note resulted in a non-cash interest expense of $288,900 and $498,424 for the three and six months ended August 31, 2006, respectively. Biomed's purchase rights under the Warrant expire on January 23, 2011. The Company is required to make its best efforts to register the common stock underlying the warrants and it is not required to settle any part or all of the instruments with cash. Accordingly, these instruments are classified as equity. The balance of borrowings on the line was $3,930,000 at August 31, 2006. The fair value of the note is not readily determinable as there is a limited market for such related party debt.

On October 11, 2006, in connection with our Securities Purchase Agreement dated October 11, 2006 with Iroquois Master Fund Ltd and other private investors (the "Purchase Agreement"), we amended our January 24, 2006 Line of Credit Agreement (the "Biomed Line of Credit Agreement") with Biomed and the Convertible Promissory Note in the original principal amount of $5,000,000 issued by us to Biomed on January 24, 2006 pursuant to the Biomed Line of Credit Agreement (the "$5,000,000 Biomed Note"). The amendments reduce the price at which the $5,000,000 Biomed Note is convertible into shares of our Common Stock from $1.46 per share to a conversion price of $0.67. The amendments also eliminate our obligation to draw down the entire credit facility. In connection with the Purchase Agreement, we also entered into a Subordination and Standstill Agreement (the "Subordination Agreement") with Biomed and the investors who are parties to the Purchase Agreement, pursuant to which Biomed agreed (i) to subordinate its rights to payment under the $5,000,000 Biomed Note and the Convertible Promissory Note in the original principal amount of $2,000,000 issued by us to Biomed on May 27, 2005 to the rights of the investors under the Notes and (ii) to convert the entire outstanding amount of principal and interest due under the $5,000,000 Biomed Note in excess of $700,000 into shares of our common stock upon the effectiveness of an amendment to our Articles of Incorporation to increase the number of our authorized shares which we have agreed, in the Purchase Agreement, to propose to our shareholders.

COMMON STOCK SUBSCRIBED:

On July 21, 2006 the Company elected to put the second tranche of the Stock Purchase Agreement with SBI Brightline XI, LLC. The Company has received $1,050,000 which is shown as a current liability since the shares of stock have not been issued as of August 31, 2006. Shares will be issued upon receipt of full payment for the second tranche. At that time the liability will be reclassified to common stock and additional paid in capital.

STOCKHOLDERS' EQUITY:

On May 27, 2005, the Company entered into a Stock Purchase Agreement with SBI Brightline XI, LLC. The agreement provides a $30 million fixed price financing for up to 10,000,000 shares at prices ranging from $2 to $4 a share. The sales of stock must be taken in tranches of 1 million shares each and the financing agreement requires the shares to be registered for resale by SBI. There are no resets, warrants, finder's fees or commissions associated with this financing transaction. Registration of the shares for resale by SBI was effective on May 18, 2006 and the Company elected to put the first tranche of 1 million shares at $2 per share on May 23, 2006. The Company elected to put the second tranche of 1 million shares at $2 per share on July 21, 2006. Of the total proceeds of $4,000,000, $3,050,000 was received by August 31, 2006. Subsequent to August 31, 2006 the Company has received an additional $125,000 and the Company has issued to SBI all shares for which they have paid. On October 11, 2006, the Company elected to put the entire remaining tranches, at a weighted average price of

$2.60 per share, to SBI.

SUBSEQUENT EVENT:

On October 11, 2006, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with 10 private investors led by Iroquois Master Fund Ltd ("Iroquois").

Pursuant to the Purchase Agreement, on October 12, 2006 we issued $7,250,000 of Senior Secured Convertible Notes (the "Notes") to the investors and received proceeds of $6,219,880 after paying estimated fees and expenses of $1,030,120 related to the transaction. The holders of the Notes may elect to convert the Notes at any time into shares of our common stock based upon a price of $0.67 per share (the "Conversion Price"). Interest on the outstanding principal amount under the Notes is payable quarterly at a rate equal to the six-month London InterBank Overnight Rate plus 500 basis points, with a minimum rate of 10% per annum and a maximum rate of 12% per annum, payable at our option in cash or shares of our common stock registered for resale under the Securities Act of 1933, as amended (the "Securities Act"). If we elect to make an interest payment in common stock, the number of shares issuable by us will be based upon the lower of (i) 90% of the 20-day trailing average volume weighted average price per share as reported on Bloomberg LP (the "VWAPS") or (ii) the Conversion Price. Principal on the Notes amortizes and payments are due in 33 equal monthly installments commencing four months following issuance of the Notes, and may be made at our option in cash or shares of our common stock registered for resale under the Securities Act. If we elect to make a principal payment in common stock, the number of shares issuable by us will be based upon the lower of (i) 87.5% of the 15-day trailing VWAPS prior to the principal payment date or (ii) the Conversion Price. Our obligations under the Notes are secured by a first priority security interest in substantially all of our assets pursuant to a Security Agreement dated as of October 11, 2006 among us, the investors and Iroquois, as agent for the investors (the "Security Agreement").

As further consideration to the investors, on October 12, 2006 we issued to the investors one-year warrants to purchase an aggregate of 10,820,896 shares of our common stock at a price of $0.67 per share. If the investors elect to exercise these one-year warrants, they will also receive additional five-year warrants to purchase shares of our common stock equal to the number of shares purchased under this one-year warrant, with 50% of the additional warrants having an exercise price of 115% of the per share purchase price, and the remaining 50% of the additional five-year warrants having an exercise price of 125% of the per share purchase price. We also issued to the investors five-year warrants to purchase an aggregate of 10,820,896 shares of our common stock. The first five-year warrants allow for the purchase of 5,410,448 shares of our common stock at an exercise price of $0.81 per share, and the second five-year warrants allow for the purchase of 5,410,448 shares of our common stock at an exercise price of $0.89 per share. The warrants contain anti-dilution protection that will automatically adjust the exercise price of the warrants should we issue equity or equity-linked securities at a price per common share below the exercise price of the five-year warrants to the price at which we issue such equity or equity-linked securities.

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

The discussion and analysis set forth below in this Item 2 have been amended to reflect the restatement of our consolidated financial statements for the fiscal year ended February 28, 2006 and for the period ended August 31, 2006, as

described above in the Explanatory Note to this amended Quarterly on Form 10-Q and in the Note entitled "Investment in Myotech, LLC and Restatement of Financial Statements," to Condensed Consolidated Financial Statements included in Item 1 above. For this reason, the data set forth in this section may not be comparable to discussions and data in our previously filed Quarterly Reports.

All statements contained in this Item 2, unless they are specifically otherwise stated to be made as of a different date, are made as of October 13, 2006, the original filing date of our Quarterly Report on Form 10-Q for the period ended August 31, 2006, and do not reflect events occurring after the filing of our Quarterly Report on Form 10-Q filed on October 13, 2006 other than the restatement, and we undertake no obligation to update the forward-looking statements in this amended Quarterly Report on Form 10-Q.

GENERAL

Our primary mission is to develop and commercially exploit technologies for improving the performance, and the corresponding competitiveness, of biomedical devices manufactured by third party companies. We do not currently employ our own manufacturing or distribution channels but rather rely on relationships with sub-contractors and/or partner companies. We develop technology protected by strong intellectual property targeted at specific markets within the medical technology sector.

COMPANY BUSINESS

We are a technology development company with a strong focus on solving real-world technical challenges facing the medical device industry. When selecting a market opportunity to address, we generate a wide range of potential technical solutions. Each technical solution we pursue is well-protected by intellectual property to ensure that we have the capability to effectively market our technologies. Whenever practical, we attempt to develop and patent multiple solutions for any given technology requirement. This is done both to strengthen our position against competitors, and to be in a position to offer multiple manufacturers alternative solutions, such as for MRI safety of pacemakers, or MRI visibility of vascular stents, as we introduce our technologies to the market.

This approach has resulted in the development of a range of core technologies, in various related segments of the medical device market. We are aggressive in development and defense of our intellectual property assets and have an intellectual property portfolio several times the size of many comparable sized companies.

Over the past quarter, we have:

o Continued to develop and market our technology to help solve the problems of MRI safety that prevent MRI examination of people with pacemakers, implantable cardioverter-defibrillators, neurostimulators, pain control devices, pumps, and virtually any implanted or interventional device with elongated metal leads.

o Continued technical meetings and contract negotiations with representatives of multiple medical device companies concerning Biophan's solutions for MRI safety, and entered into currently ongoing negotiations with several of these companies in which we have responded to requests for pricing for exclusive and co-exclusive licensing options. As a result of the acquisition of Guidant and Advanced Bionics by Boston Scientific, these companies have a license to use our technology for MRI safety on a non-exclusive basis. As a result of this, we have had a significant increase in activity and interest in additional licenses for our technology. We have also expanded our dialog with the major MRI guided device manufacturers as our technologies impact the future potential for MRI interventional medical procedures and expanded diagnostic procedures. Several of

these discussions have resulted in the exchange of term sheets as well as discussions about possible forms of new R&D relationships.

o Recognized approximately $310,000 in revenue from licensing, MRI testing, and consulting. We expect to recognize additional revenue from these transactions in the next several quarters.

o Continued development of a new cardiac assist device, the MYO-VAD, through our relationship with Myotech, LLC. The MYO-VAD is a life-saving device that provides benefits and competitive advantages not possible with other cardiac assist devices. In the past, this technology has saved human lives and holds tremendous promise for the treatment of multiple forms of acute and chronic heart failure.

o Continued optimization of our technology to improve stents so they can be non-invasively imaged with MRI to detect the presence of restenosis (blood vessel blockage) and blood clots after implantation; several technologies to enable stent visibility are licensed exclusively to Boston Scientific (NYSE:BSX), who has rights to enforce and/or sub-license the technology to third parties. Another technology, for stent visibility, licensed exclusively to Biophan and developed in Aachen, Germany, is outside the Boston Scientific Agreement, and we can license this technology to third parties. We believe these technologies offer significant competitive advantage for manufacturers due to the benefit of non-invasive imaging of device function and the detection of blockage.

o Continued development of an MRI image compatible vena cava filter, which allows MR imaging of blood clots that may be present in the filter to help ensure the safe removal of the device. We are also developing a heart valve which can be imaged and also implanted under MRI as well as a septal occluder device to treat conditions such as atrial septal defects, a hole in the septum between the left and right atria in the heart, which will be the first septal occluder to be visible as well as implantable under MRI.

o Entered into a Cooperative Research and Development Agreement (CRADA) with the FDA's Office of Science and Engineering Laboratories (OSEL) to research and define methods for measuring MRI safety of medical implants by examining the leads of cardiac rhythm management and neurostimulation devices. This work will involve identifying worst case conditions for testing MRI safety, establishing precise device safety guidelines, and defining measurement methods, i.e., how to measure device safety. An intent of the CRADA is to develop test methods and guidelines that could be offered to standards-setting groups as well as FDA reviewers for consideration for testing MR compatibility.

LICENSING AND JOINT VENTURE STRATEGY

BOSTON SCIENTIFIC LICENSE

Our license agreement with Boston Scientific provides them with the right to use Biophan's MRI safety and image compatibility technologies in a broad range of exclusive and non-exclusive product areas at royalty rates of 3% to 5%. The exclusive product categories include vascular implants and RF ablation catheters, and the non-exclusive product categories cover a broad array of medical devices including pacemakers, implantable cardioverter defibrillators, neurostimulators, guidewires and catheters. As part of our role under the CRADA, we have organized workshops attended by the pacemaker, defibrillator and neurostimulator companies, as well as MRI device manufacturers.

As a result of Boston Scientific's acquisition of Guidant, non-exclusive rights to pacemakers, defibrillators, neurostimulators, catheters, and guidewires now extend to Guidant, who may elect to use our technology in their product lines.

The agreement required Boston Scientific to make an initial upfront payment to Biophan of $750,000, which was made on the closing of the agreement and has been amortized over the last twelve months, and to make annual minimum royalty and potentially substantial earned royalty payments. The agreement also provides Boston Scientific with a right of first negotiation on new technologies acquired by Biophan in the fields of MRI safety and image compatibility. The initial $750,000 payment was made on August 2, 2005 and was recognized as revenue over the next 12 months. Accordingly, the final $125,000 was recorded as revenue in the current quarter ended August 31, 2006.

We received $250,000 for the first annual minimum payment under our license in December, 2005. Revenue from this $250,000 payment is being recognized over 12 months. Accordingly, for the three months ended August 31, 2006, the Company recorded $62,500 in revenue from this payment.

This agreement is available as an Exhibit to our 10-Q for the quarter ended August 31, 2005, as amended on January 9, 2006.

ACQUISITION OF INTELLECTUAL ASSETS

We currently have 57 issued U.S. patents and over 100 U.S. and international patents pending.

We believe that a strong intellectual property portfolio is vital to our ability to achieve and maintain royalties and product sales to major industrial partners across our product lines.

These technologies cover a broad array of capabilities, with primary focus on our core businesses of:

o making medical devices safe for use with MRI, as many are contraindicated, including pacemakers, implantable cardioverter defibrillators and neurostimulators.

o making implants such as stents visible under MRI so that they can be non-invasively examined, such as for in-stent restenosis or blood clots. Today, invasive imaging procedures such as angiograms are required. We believe that non-invasive imaging of stents is a feature which can move market share between otherwise competitive devices.

The technologies allowing visualization of implants have been developed at Biophan, and with technology partners under exclusive license, including aMRIs Patents GmbH in Germany (via an exclusive license); Aachen Resonance in Germany (via an exclusive license); and Nanoset, LLC in the U.S. (via an exclusive license). Biophan holds both sub-licensing and enforcement rights (rights to litigate) under these agreements.

On an ongoing basis we review our patent portfolio to ensure we are protecting our innovations and new discoveries in those strategic areas of our business where we believe the medical device industry is heading. To ensure the continuing value of our intellectual assets, we intend to aggressively defend our patents and licensed technology, both domestically and abroad. Additionally, our license agreement with Boston Scientific provides them enforcement rights in the areas of our business which are exclusive to them. They also have sub-licensing rights in the exclusive product categories, with royalties owed to Biophan on the sublicense, should they elect to allow one of their competitors access to those technologies.

LIQUIDITY

As further described under the heading "Line of Credit Agreement" in Notes to Condensed Consolidated Financial Statements, our affiliate Biomed Solutions, LLC, provided us with a $5 million Line of Credit. Under the Line of Credit agreement, advances may be drawn down in such amounts and at such times as we determine upon 15 days prior notice to Biomed, except that we may not draw down more than $1,500,000 in any 30-day period. Amounts borrowed will bear interest at the rate of 8% per annum and are convertible into shares of our Common Stock at the rate of $1.46 per share. Biomed's obligation to lend to us under the line of credit agreement expires on June 30, 2007, on which date the entire amount borrowed by us (and not converted into shares of our Common Stock) becomes due and payable. We are obligated to utilize the entire credit facility. The balance of borrowings on the line was $3,930,000 at August 31, 2006. Biomed is headed by our CEO, Michael Weiner, who is also a substantial beneficial owner of Biomed. The Biomed line of credit is on terms we believe to be competitive with comparable transactions involving unaffiliated parties and was approved unanimously by the independent members of our Board of Directors.

On May 27, 2005, we entered into a Line of Credit Agreement with Biomed, whereby Biomed agreed to provide a line of credit facility of up to $2 million. Borrowings under the line bear interest at 8% per annum, are payable on demand after August 31, 2006 and are convertible, at Biomed's election into the Company's common stock at 90% of the average closing price for the 20 trading days preceding the date of borrowings under the line. In June 2005, the Company borrowed the entire $2 million under the line in two separate draws of $1 million each, in accordance with the agreement. On August 31, 2005, Biomed elected to convert $1 million of the note plus accrued interest into 480,899 shares of common stock at which time, the remaining discount related to the $1 million portion of the loan was fully expensed. On October 7, 2005, we repaid $500,000 of principal and all accrued interest on the loan. The balance of borrowings on the line was $500,000 at August 31, 2006.

On October 11, 2006, in connection with our Securities Purchase Agreement dated October 11, 2006 with Iroquois Master Fund Ltd and other private investors (the "Purchase Agreement"), we amended our January 24, 2006 Line of Credit Agreement (the "Biomed Line of Credit Agreement") with Biomed and the Convertible Promissory Note in the original principal amount of $5,000,000 issued by us to Biomed on January 24, 2006 pursuant to the Biomed Line of Credit Agreement (the "$5,000,000 Biomed Note"). The amendments reduce the price at which the $5,000,000 Biomed Note is convertible into shares of our Common Stock from $1.46 per share to a conversion price of $0.67. The amendments also eliminate our obligation to draw down the entire credit facility. In connection with the Purchase Agreement, we also entered into a Subordination and Standstill Agreement (the "Subordination Agreement") with Biomed and the investors who are parties to the Purchase Agreement, pursuant to which Biomed agreed (i) to subordinate its rights to payment under the $5,000,000 Biomed Note and the Convertible Promissory Note in the original principal amount of $2,000,000 issued by us to Biomed on May 27, 2005 to the rights of the investors under the Notes and (ii) to convert the entire outstanding amount of principal and interest due under the $5,000,000 Biomed Note in excess of $700,000 into shares of our common stock upon the effectiveness of an amendment to our Articles of Incorporation to increase the number of our authorized shares which we have agreed, in the Purchase Agreement, to propose to our shareholders.

As described in greater detail under the heading "Common Stock Subscribed" and "Stockholders' Equity" in the "Notes to Condensed Consolidated Financial Statements", we have an agreement with SBI Brightline XI, LLC for a $30 million

fixed price financing involving the sale to SBI of up to 10,000,000 shares of our common stock. The Company elected to sell the first tranche of 1 million shares at $2 per share on May 23, 2006; the funds from the sale of this first tranche have been received. The Company elected to sell the second tranche of 1 million shares at $2 per share on July 21, 2006. To date $1,175,000 of the funds from the sale of this tranche has been received and all related shares have been issued. On October 11, 2006, we elected to exercise all of our remaining put rights, requiring SBI to purchase the remaining tranches at a price of $26,000,000.

Contractually, the SBI agreement is adequate to meet our requirements for the next twelve months. However, management is concerned as to the viability of the balance of the financing as a result of the disparity between the contractual strike price and the current market price for our shares, the failure of SBI to make payment in full for the second tranche of shares as required by the SBI agreement and the potential reluctance of SBI to honor additional puts. In addition, the Company has also determined that this facility does not provide the necessary institutional shareholder support that management believes the Company requires in order to establish long-term value for our shareholders.

Additionally, certain negotiations in process with several medical device companies may generate additional working capital in the form of up-front licensing fees and/or royalty advances.

Effective November 30, 2005, we entered into a Securities Purchase Agreement for the acquisition of an initial 35% interest in Myotech, LLC ("Myotoch"), a New York limited liability company, whereby we exchanged 4,923,080 shares of our common stock, par value $.005, for 3,768,488 Class A (voting) units of Myotech. Based upon the terms of the Securities Purchase Agreement, we were obligated to purchase for cash consideration of $2.225 million an additional 811,037 Class A units. We may elect to acquire up to an additional 3,563,097 Class A units for further cash consideration of up to $9.775 million, over a 24-month period, which may result in the Company owning a majority interest in Myotech. During the three month period ended February 28, 2006, Biophan provided $1,185,000 of additional funding for 431,946 newly issued Class A units of Myotech. During the six month period ended August 31, 2006, Biophan has provided $1,228,500 of additional funding satisfying the cash consideration of $2.225 million cited above, for 447,802 newly issued Class A units of Myotech, which increased our ownership to 40.4% Additional investments of $130,000 have been made since August 31, 2006.

On October 11, 2006, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with 10 private investors led by Iroquois Master Fund Ltd ("Iroquois").

Pursuant to the Purchase Agreement, on October 12, 2006 we issued $7,250,000 face amount of Senior Secured Convertible Notes (the "Notes") to the investors and received proceeds of $6,219,880 after paying estimated fees and expenses of $1,030,120 related to the transaction. The holders of the Notes may elect to convert the Notes at any time into shares of our common stock based upon a price of $0.67 per share (the "Conversion Price"). Interest on the outstanding principal amount under the Notes is payable quarterly at a rate equal to the six-month London InterBank Overnight Rate plus 500 basis points, with a minimum rate of 10% per annum and a maximum rate of 12% per annum, payable at our option in cash or shares of our common stock registered for resale under the Securities Act of 1933, as amended (the "Securities Act"). If we elect to make an interest payment in common stock, the number of shares issuable by us will be based upon the lower of (i) 90% of the 20-day trailing average volume weighted average price per share as reported on Bloomberg LP (the "VWAPS") or (ii) the Conversion Price. Principal on the Notes amortizes and payments are due in 33 equal monthly installments commencing four months following issuance of the Notes, and may be made at our option in cash or shares of our common stock registered for resale

under the Securities Act. If we elect to make a principal payment in common stock, the number of shares issuable by us will be based upon the lower of (i) 87.5% of the 15-day trailing VWAPS prior to the principal payment date or (ii) the Conversion Price. Our obligations under the Notes are secured by a first priority security interest in substantially all of our assets pursuant to a Security Agreement dated as of October 11, 2006 among us, the investors and Iroquois, as agent for the investors (the "Security Agreement").

As further consideration to the investors, we issued to the investors one-year warrants to purchase an aggregate of 10,820,896 shares of our common stock at a price of $0.67 per share. If the investors elect to exercise these one-year warrants, they will also receive additional five-year warrants to purchase the shares of our common stock equal to the number of shares purchased under the one-year warrants, with 50% of the additional warrants having an exercise price of 115% of the per share purchase price, and the remaining 50% of the additional five-year warrants having an exercise price of 125% of the per share purchase price. We also issued to the investors five-year warrants to purchase an aggregate of 10,820,896 shares of our common stock. The first five-year warrants allow for the purchase of 5,410,448 shares of our common stock at an exercise price of $0.81 per share, and the second five-year warrants allow for the purchase of 5,410,448 shares of our common stock at an exercise price of $0.89 per share. The warrants contain anti-dilution protection that will automatically adjust the exercise price of the warrants should we issue equity or equity-linked securities at a price per common share below the exercise price of the five-year warrants to the price at which we issue such equity or equity-linked securities.

We further agreed to register for resale under the Securities Act the common stock issuable upon the exercise of the warrants and any shares of common stock the Company may issue to the holders of the Notes in connection with payments of interest and principal, or which the Company is obligated to issue upon any conversion of the Notes at the option of the holders.

We believe that the Company has adequate working capital resources for the upcoming 6-9 months of operations.

RESULTS OF OPERATIONS

The following comments discuss the significant factors affecting the consolidated operating results, financial condition and liquidity and cash flows of the Company comparing the three months ended August 31, 2006 to the three months ended August 31, 2005 and the six months ended August 31, 2006 to the six months ended August 31, 2005.

Comparison of the Three Months Ended August 31, 2006 to the Three Months Ended August 31, 2005.

Revenues: Revenues were $0.310 million for the three months ended August 31, 2006 as compared to $0.063 million revenues for the three months ended August 31, 2005 due to development contract payments and license fees from Boston Scientific Scimed, and operating revenues from our European subsidiary, which consisted primarily of MRI-related testing and consulting services to medical device manufacturers.

Operating Expenses

Research and Development. Research and development expenses decreased by 15%, or $0.350 million to approximately $1.942 million for the three months ended August

31, 2006 from approximately $2.292 million for the three months ended August 31, 2005. Stock options expense (non cash expense) amounted to $0.080 million in the three months ended August 31, 2006 and $1.237 million in the three months ended August 31, 2005 due primarily to the accounting for contingent stock options in the quarter ended August 31, 2005. After consideration of these expenses, research and development expenses increased by approximately $0.807 million or 76%, to approximately $1.862 million for the three months ended August 31, 2006 from approximately $1.055 million for the three months ended August 31, 2005.

Because we consolidated Myotech LLC at November 30, 2005, the three months ended August 31, 2006 include approximately, $0.485 million of operating expenses and $0.345 million in amortization expenses pertaining to Myotech's intangible assets. With the inclusion of Myotech, and aside from the increase due to amortization expenses, the increase in expenses is primarily attributable to spending on certain research projects of approximately $0.700 million and increased salary-related expenses of approximately $0.075 million, partially offset by reduced license and patent attorney fees of approximately $0.420 million. .

General and Administrative. General and administrative expenses decreased by 50% to approximately $1.573 million for the three months ended August 31, 2006 from approximately $3.124 million for the three months ended August 31, 2005. Stock options expense (non cash expense) amounted to $0.178 million in the three months ended August 31, 2006 and $1.873 million in the three months ended August 31, 2005 due primarily to the accounting for contingent stock options in the quarter ended August 31, 2005. After consideration of these expenses, general and administrative expenses increased by approximately $0.144 million or 11%, to approximately $1.395 million for the three months ended August 31, 2006 from approximately $1.251 million for the three months ended August 31, 2005.

Because we consolidated Myotech LLC at November 30, 2005, the three months ended August 31, 2006 include approximately, $0.120 million of operating expenses. With the inclusion of Myotech, the increase in expenses is primarily attributable to spending for outside financial compliance, audit services and other professional services of $0.075 million, and increased costs related to salaries $0.120 million, combined with decreased spending for other activities.

Other Income (Expense)

Interest Expense. We incurred interest expense amounting to approximately $0.380 million for the three months ended August 31, 2006 compared to $0.767 million expense for the three months ended August 31, 2005. The reduced expense pertained to two lines of credit from Biomed Solutions, LLC ("Biomed"). For the $2 million line, one-half was converted to Company stock in the three months ended August 31, 2005, which accelerated recognition of a non-cash beneficial conversion feature amounting to $0.729 million and interest of $0.038 million for the three months ended August 31, 2005. In the third quarter of 2005, the Company repaid $0.500 million, leaving a balance of $0.500 million outstanding on this line. The Company also borrowed against a second line of credit, which had a balance at August 31, 2006 of $3.930 million. This borrowing also includes a non-cash beneficial conversion feature, which amounted to $0.289 in non-cash interest expensecombined with normal interest expense of $0.091 million for the three months ended August 31, 2006.

Minority Interest in Net Loss of Myotech LLC

The loss of $0.520 million is a pro rata share of the loss incurred by Myotech, LLC attributable to minority interests for the three months ended August 31,

2006. There was no investment in Myotech LLC or loss on investment in Myotech LLC for the three months ended August 31, 2005. As further described under the heading "Investment in Myotech LLC" in the "Notes to Condensed Consolidated Financial Statements" the Company holds a 40.4% interest in Myotech LLC, which we must consolidate as a variable interest entity since the Company is deemed to be the primary beneficiary in the relationship with Myotech.

Comparison of the Six Months Ended August 31, 2006 to the Six Months Ended August 31, 2005.

Revenues: Revenues were $0.655 million for the six months ended August 31, 2006 as compared to $0.063 million revenues for the six months ended August 31, 2005 due to development contract payments and license fees from Boston Scientific Scimed, and operating revenues from our European subsidiary, which consisted primarily of MRI-related testing and consulting services to medical device manufacturers.

Operating Expenses

Research and Development. Research and development expenses increased by 16%, to approximately $ 4.530 million for the six months ended August 31, 2006 from approximately $3.892 million for the six months ended August 31, 2005. Stock options expense (non cash expense) amounted to $0.358 million in the six months ended August 31, 2006 and $2.031 million in the six months ended August 31, 2005 due primarily to the accounting for contingent stock options in the six months ended August 31, 2005. After consideration of these expenses, research and development expenses increased by approximately $2.311 million or 124%, to approximately $4.172 million for the six months ended August 31, 2006 from approximately $1.861 million for the six months ended August 31, 2005

Because we consolidated Myotech LLC at November 30, 2005, the six months ended August 31, 2006 include approximately, $1.190 million of operating expenses and $0.690 million in amortization expenses pertaining to Myotech's intangible assets. With the inclusion of Myotech, and aside the increase due to amortization expenses, the increase in expenses is primarily attributable to spending on certain research projects of approximately $1.640 million and increased salary-related expenses of approximately $0.175 million, partially offset by reduced license and patent attorney fees of approximately $0.450 million.

General and Administrative. General and administrative expenses decreased by 27% to approximately $3.660 million for the six months ended August 31, 2006 from approximately $5.020 million for the six months ended August 31, 2005. Stock options expense (non cash expense) amounted to $0.481 million in the six months ended August 31, 2006 and $2.542 million in the six months ended August 31, 2005 due primarily to the accounting for contingent stock options in the 6 months ended August 31, 2005. After consideration of these expenses, general and administrative expenses increased by approximately $0.700 million or 28%, to approximately $3.180 million for the six months ended August 31, 2006 from approximately $2.475 million for the three months ended August 31, 2005.

Because we consolidated Myotech LLC at November 30, 2005, the six months ended August 31, 2006 include approximately, $0.275 million of operating expenses. With the inclusion of Myotech, the increase in expenses is primarily attributable to spending for outside financial compliance, audit services and other professional services of $0.300 million, increased legal fees of $0.245 million, and increased costs related to salaries $0.310 million, partially offset by decreased spending for other activities.

Other Income (Expense)

Interest Expense. We incurred interest expense amounting to approximately $0.684

million for the six months ended August 31, 2006 compared to $0.767 million expense for the six months ended August 31, 2005. The reduced expense pertained to two lines of credit from Biomed Solutions, LLC ("Biomed"). For the $2 million line, one-half was converted to Company stock in the six months ended August 31, 2005, which accelerated recognition of a non-cash beneficial conversion feature amounting to $0.729 million and interest of $0.038 million for the six months ended August 31,2005. A balance of $0.500 million remains outstanding on this line. During the six months ended August 31, 2006, the Company borrowed against a second line of credit, which had a balance at August 31, 2006 of $3.930 million. This borrowing also includes a non-cash beneficial conversion feature, which amounted to $0.499 in non-cash interest expense combined with normal interest expense of $0.185 million for the six months ended August 31, 2006.

Minority Interest in Net Loss of Myotech LLC

The loss of $1.216 million is a pro rata share of the loss incurred by Myotech, LLC attributable to minority interests for the six months ended August 31, 2006. There was no investment in Myotech LLC or loss on investment in Myotech LLC for the six months ended August 31, 2005. As further described under the heading "Investment in Myotech LLC" in the "Notes to Condensed Consolidated Financial Statements" the Company holds a 40.4% interest in Myotech LLC, which we must consolidate as a variable interest entity since the Company is deemed to be the primary beneficiary in the relationship with Myotech.

CAPITAL RESOURCES

Our current strategic plan does not indicate a need for material capital expenditures in the conduct of research and development activities.

We currently employ twenty-eight full-time individuals, twenty-three in the U.S. and five in Europe.

FORWARD LOOKING STATEMENTS

Forward looking statements in this Form 10-Q and in other documents incorporated herein, as well as in oral statements made by the Company, statements that are prefaced with the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "designed" and similar expressions, are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, results of operations and financial position. These statements are based on the Company's current expectations and estimates as to prospective events and circumstances about which the Company can give no firm assurance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect subsequent events or circumstances. Forward-looking statements should not be relied upon as a prediction of actual future financial condition or results. These forward-looking statements, like any forward-looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or unanticipated.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Derivative Financial Instruments, Other Financial Instruments, and Derivative Commodity Instruments.

As of August 31, 2006, the Company did not participate in any derivative financial instruments, or other financial and commodity instruments for which

fair value disclosure would be required under SFAS No. 107.

Primary Market Risk Exposures.

The Company's primary market risk exposures are in the areas of interest rate risk and foreign currency exchange rate risk. The Company's investment portfolio of cash equivalents is subject to interest rate fluctuations, but the Company believes this risk is immaterial due to the short-term nature of these investments. For the three and six months ended August 31, 2006, foreign currency translation gains and losses were immaterial as a result of consolidating the Company's foreign subsidiaries. During the period, the Company did not engage in any foreign currency hedging activities.

ITEM 4. CONTROLS AND PROCEDURES

(a) Restatement

FASB Interpretation No. 46 (FIN-46R) (Revised December 2003), Consolidation of Variable Interest Entities, requires that if an enterprise is the primary beneficiary of a variable interest entity, the assets, liabilities and results of operations of the variable interest entity should be included in the consolidated financial statements of the enterprise. The Company has invested in Myotech, LLC, (Myotech) a development stage business, and a developer of cardiac assist technologies. This investment was made on November 30, 2005 in the form of a Securities Purchase Agreement, whereby the Company received 3,768,488 Class A (voting) units for a 35% interest in Myotech, in exchange for 4,923,080 shares of our common stock valued at $8,467,698. This investment was previously accounted for using the equity method.

The Company has re-evaluated its investment in Myotech and has determined that Myotech is a variable interest entity in accordance with FIN-46R. The Company has further concluded that it is the primary beneficiary as defined by FIN-46R and, as a result, the Company is required to consolidate Myotech as of the date of acquisition of November 30, 2005. Therefore, the consolidated financial statements of the Company included in this Report on Form 10-Q, have been restated to include the accounts of Myotech, LLC.

(b) Evaluation of Disclosure Controls and Procedures

In connection with the restatement, under the direction of our Chief Executive Officer and our Chief Financial Officer, we reevaluated our disclosure controls and procedures. We identified our failure to recognize and apply the correct criteria, as explained in FIN 46R, for the proper accounting for our investment in Myotech, LLC on November 30, 2005 as a material weakness in our internal control over financial reporting. Solely as a result of this material weakness, we concluded that our disclosure controls and procedures were not effective as of November 30, 2005, or for the quarterly periods ended February 28, 2006, May 31, 2006 and August 31, 2006.

(c) Remediation of Material Weakness in Internal Control

We are confident that, as of the date of this filing, we have fully remediated the material weaknesses in our internal control over financial reporting with respect to the item cited above. The remedial actions included:

- Improving education and accounting reviews to ensure that personnel involved in entity investments and asset purchases understand and apply the pertinent accounting principles appropriate to the nature of the transaction.

In connection with this amended Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and

procedures as currently in effect and as a result of the remedial actions discussed above, have concluded that as of this date our disclosure controls and procedures are effective.

(d) Management's Report on Internal Control Over Financial Reporting (as restated)

The management of Biophan Technologies, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for the company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of November 30, 2005, February28, 2006, May 31, 2006 and August 31, 2006, based on the framework and criteria established in Internal Control -- Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our Quarterly Report on Form 10-Q for the period ended November 30, 2005 (filed on January 17, 2006), in our Annual Report on Form 10-K for the year ended February 28, 2006 (originally filed on May 15, 2006 and amended on June 6, 2006) and in our Quarterly Reports on Form 10-Q for the periods ended May 31, 2006 (filed on July 10, 2006) and ,August 31, 2006 (filed on October 13, 2006) management concluded that our internal control over financial reporting was effective as of the end of the periods covered by such reports. Subsequently, management identified material weaknesses in internal control over financial reporting with respect to accounting for the investment in Myotech, LLC on November 30, 2005. Solely as a result of these material weaknesses, our management has revised its earlier assessment and has now concluded that our internal control over financial reporting was not effective as of November 30, 2005, or for the quarterly periods ended February 28, 2006, May 31, 2006 and August 31, 2006.

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, except as noted below. 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.

The Company is pursuing legal claims against one of its former law firms and certain of its attorneys. Review of the firm's work product and bills recently revealed questions about the firm's billing practices and other activities. The amount of potential damages has not yet been quantified. Also, the law firm has asserted claims seeking payment of additional legal fees, which claims the Company has denied. The litigation is in an early stage. While, as with any legal proceedings, no assurance can be given as to ultimate outcome, management believes that the outcome of the litigation will not have a material adverse effect upon the Company's financial condition.

ITEM 1A. RISK FACTORS

In addition to the other information contained or incorporated by reference in this Form 10-Q, you should carefully consider the risks described below before making an investment decision regarding our securities. If any of the following

risks actually occur, our business, financial condition and results of operations could be harmed. In that case, the trading price of our securities could decline and you could lose all or part of your investment. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

WE ARE A NEW BUSINESS WITH A LIMITED OPERATING HISTORY AND ARE NOT LIKELY TO SUCCEED UNLESS WE CAN OVERCOME THE MANY OBSTACLES WE FACE.

We are an early-stage research and development company with limited prior business operations and no material revenues to date. We are presently engaged in the development of certain technologies for use with medical procedures and biomedical devices. Because of our limited operating history, you may not have adequate information on which you can base an evaluation of our business and prospects. To date, our efforts have been devoted primarily to the following:

o organizational activities;

o developing a business plan;

o obtaining funding;

o conducting research and working toward the ultimate successful development of our technologies;

o aggressively patenting our intellectual property;

o licensing technology from third parties related to our business; and

o marketing to major biomedical device manufacturers.

In order to establish ourselves in the medical device market, we are dependent upon continued funding and the successful development and marketing of our products. You should be aware of the increased risks, uncertainties, difficulties, and expenses we face as a research and development company and that an investment in our common stock may be worthless if our business fails.

IF WE ARE UNABLE TO GENERATE SUFFICIENT REVENUES IN THE FUTURE, WE MAY NOT BE ABLE TO CONTINUE OUR BUSINESS.

We are still in our formative and development stage. As an investor, you should be aware of the difficulties, delays, and expenses normally encountered by an enterprise in its development stage, many of which are beyond our control, including unanticipated research and developmental expenses, employment costs, and administrative expenses. We cannot assure our investors that our proposed business plans as described in this prospectus will materialize or prove successful, or that we will ever be able to finalize development of our products or operate profitably. If we cannot operate profitably, you could lose your entire investment. As a result of the start-up nature of our business, initially we expect to sustain substantial operating expenses without generating significant revenues.

WE HAVE A HISTORY OF LOSSES AND A LARGE ACCUMULATED DEFICIT AND WE EXPECT FUTURE LOSSES THAT MAY CAUSE OUR STOCK PRICE TO DECLINE.

For the fiscal years ended February 28, 2006, and 2005, and February 29, 2004, we incurred net losses of $14,484,384, $5,793,547, and $3,718,570, respectively. Additionally, we have incurred net losses from inception through August 31, 2006

of $38,867,363. We expect to continue to incur losses as we spend additional capital to develop and market our technologies and establish our infrastructure and organization to support anticipated operations. We cannot be certain whether we will ever earn a significant amount of revenues or profit, or, if we do, that we will be able to continue earning such revenues or profit. Also, our current economic weakness may limit our ability to develop and ultimately market our technologies. Any of these factors could cause our stock price to decline and result in you losing a portion or all of your investment.

OUR INABILITY TO RETAIN AND ATTRACT KEY PERSONNEL COULD ADVERSELY AFFECT OUR BUSINESS.

We believe that our future success will depend on the abilities and continued service of certain of our senior management and executive officers, particularly our President and CEO and those persons involved in the research and development of our products. If we are unable to retain the services of these persons, or if we are unable to attract additional qualified employees, researchers, and consultants, we may be unable to successfully finalize and eventually market our medical devices and other products being developed, which will have a material adverse effect on our business.

OUR RESEARCH AND DEVELOPMENT EFFORTS MAY NOT RESULT IN COMMERCIALLY VIABLE PRODUCTS, WHICH COULD RESULT IN A DECLINE OF OUR STOCK PRICE AND A LOSS OF YOUR INVESTMENT.

Our technologies are in the development stage. Further research and development efforts will be required to develop these technologies to the point where they can be incorporated into commercially viable or salable products. We have set forth in this prospectus our proposed research and development program as it is currently conceived. We cannot assure you, however, that this program will be accomplished in the order or in the time frame set forth. We reserve the right to modify the research and development program. We may not succeed in developing commercially viable products from our technologies. Also, our research and development efforts are aimed at technology that will enable certain medical procedures and biomedical devices to become safe and compatible with MRI diagnostics. If MRI diagnostics are replaced by the healthcare industry, our technology and products, if any, may become obsolete. If we are not successful in developing commercially viable products or if such products become obsolete, our ability to generate revenues from our technologies will be severely limited. This would result in the loss of all or part of your investment.

WE MAY NOT BE ABLE TO DEVELOP A MARKET FOR OUR TECHNOLOGY, WHICH WILL MOST LIKELY CAUSE OUR STOCK PRICE TO DECLINE.

The demand and price for our technology and related products will be based upon the existence of markets for the technology and products and the markets for products of others, which may utilize our technology. The extent to which we may gain a share of our intended markets will depend, in part, upon the cost effectiveness and performance of our technology and products when compared to alternative technologies, which may be conventional or heretofore unknown. If the technology or products of other companies provide more cost-effective alternatives or otherwise outperform our technology or products, the demand for our technology or products may be adversely affected. Our success will be dependent upon market acceptance of our technology and related products. Failure of our technology to achieve and maintain meaningful levels of market acceptance would materially and adversely affect our business, financial condition, results of operations, and market penetration. This would likely cause our stock price to decline.

IF WE ARE NOT ABLE TO COMPETE EFFECTIVELY IN THE COMPETITIVE MEDICAL DEVICE INDUSTRY, OUR FUTURE GROWTH AND OPERATING RESULTS WILL SUFFER.

Our future success depends on our ability to compete effectively with manufacturers of medical devices, including major manufacturers of pacemakers and other implantable devices that may have internal development programs. We are an early-stage research and development company engaged exclusively in developing our initial technologies. Products using our technologies have not yet been commercialized and we have generated no material revenue from operations. As a result, we may have difficulty competing with larger, established medical device companies. Most of our potential competitors will be established, well-known companies that have:

o substantially greater financial, technical and marketing resources;

o larger customer bases;

o better name recognition;

o related product offerings; and

o larger marketing areas.

Companies such as Medtronic Incorporated, Guidant Corporation, St. Jude Medical, Boston Scientific Corporation, and Johnson & Johnson are major, international providers of active medical devices currently contraindicated for MRI. Because these companies may possibly develop MRI safe solutions for their own product lines, they may ultimately be in competition with us. These companies represent a wide array of medical devices and products, technologies, and approaches. All of these companies have more resources than we do and, therefore, a greater opportunity to develop comparable products and bring those products to market more efficiently than we can. If we do not compete effectively with current and future competitors, our future growth and operating results will be adversely affected.

WE MAY NOT BE ABLE TO OBTAIN NECESSARY GOVERNMENT APPROVAL TO MARKET OUR TECHNOLOGY WHICH WILL MOST LIKELY CAUSE OUR STOCK PRICE TO DECLINE AND OUR BUSINESS TO FAIL.

Our marketing partners must obtain the approval of the U.S. Food and Drug Administration in order to market our MRI safe technology. If these approvals are not obtained, or are significantly delayed, our ability to generate revenues may be adversely affected and our development and marketing efforts inhibited. This would most likely cause our stock price to decline and result in the loss of all or part of your investment.

WE MAY NOT BE ABLE TO PROTECT OUR PROPRIETARY RIGHTS AND WE MAY INFRINGE THE PROPRIETARY RIGHTS OF OTHERS. OUR INABILITY TO PROTECT OUR RIGHTS COULD IMPAIR OUR BUSINESS AND CAUSE US TO INCUR SUBSTANTIAL EXPENSE TO ENFORCE OUR RIGHTS.

Proprietary rights are critically important to us. We currently have 57 issued U.S. patents and over 100 U.S. and international patents pending. Although we intend to aggressively pursue additional patent protection for our technologies as we continue to develop them, we cannot assure you that any additional patents will be issued. Although we will seek to defend our patents and to protect our other proprietary rights, our actions may be inadequate to protect our patents and other proprietary rights from infringement by others, or to prevent others

from claiming infringement by us of their patents and other proprietary rights.

Policing unauthorized use of our technology is difficult, and some foreign laws do not provide the same level of protection as U.S. laws. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or patents that we may obtain, or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and have a material adverse effect on our future operating results.

WE MAY BE UNABLE TO INCREASE THE NUMBER OF AUTHORIZED SHARES UNDER OUR CORPORATE CHARTER TO ENABLE US TO COMPLETE FUTURE FINANCINGS.

The primary method by which we raise capital is to continue selling shares directly to investors or to arrange for debt financing which include a conversion feature to common stock. If our shareholders, via shareholder vote, are unwilling to increase the number of authorized shares, currently set at 125 million shares, we may be unable to continue raising funds to continue operations until we are able to internally generate cash to fund our operational cash needs.

FUTURE SALES OF OUR COMMON STOCK WOULD HAVE A DILUTIVE EFFECT ON CURRENT STOCKHOLDERS AND COULD ADVERSELY IMPACT THE MARKET PRICE FOR OUR COMMON STOCK.

Sales of a substantial number of shares of our common stock, or the perception that sales could occur, whether at the then current market price or below the then current market price, could adversely affect prevailing market prices for our common stock. For example, in connection with our issuance of $7,250,000 of senior secured amortizing convertible notes on October 12, 2006, the holders of the notes may elect to convert the notes at any time into shares of the Company's common stock at a price of $0.67 per share (the "Fixed Conversion Price"). Payments of interest and principal on the notes may be made, at the Company's option, in cash or shares of the Company's common stock registered for resale under the Securities Act, and if we elect to make payments on the notes in shares, those payments will be based on the lower of (i) the Fixed Conversion Price or (ii) 90% of the volume weighted 20-day trailing average price per share of our common stock on the date we make a payment (in the case of interest payments) or 87.5% of the volume weighted 15-day trailing average price per share of our common stock on the date we make a payment (in the case of principal payments). As additional consideration to the purchasers of the notes, the Company issued five-year warrants to purchase an aggregate of 10,820,896 shares of our common stock. The first five-year warrants allow for the purchase of 5,410,448 shares of our common stock at an exercise price of $0.81 per share, and the second five-year warrants allow for the purchase of 5,410,448 shares of our common stock at an exercise price of $0.89 per share. As further consideration to the purchasers of the notes, the Company issued one-year warrants to purchase up to 10,820,896 million shares of our common stock at a price of $0.67 per share. If the purchasers elect to exercise this one-year warrant, they will also receive additional five-year warrants to purchase the Company's common stock equal to the number of shares purchased under this one-year warrant, with 50% of the additional warrants having an exercise price of 115% of the per share purchase price, and the remaining 50% of the additional five-year warrants having an exercise price of 125% of the per share purchase price. In addition, if we issue additional shares of our common stock for sale in future financings, our stockholders would experience additional dilution.

BECAUSE TWO OF OUR DIRECTORS ARE EQUITY OWNERS AND MANAGERS OF BIOMED SOLUTIONS, LLC, A SIGNIFICANT CREDITOR OF BIOPHAN, AND BECAUSE SEVERAL OF OUR DIRECTORS AND OFFICERS ARE AFFILIATES OF OTHER ENTITIES WITH WHOM BIOPHAN HAS SIGNIFICANT BUSINESS RELATIONSHIPS, THERE MAY BE CONFLICTS OF INTEREST.

Michael L. Weiner, our President, CEO and director, is the Manager and a 24.3%

beneficial owner of Biomed, a company engaged in the business of identifying and acquiring technologies in the biomedical field for exploitation. Mr. Weiner and Ross Kenzie, also a director of Biophan, make up the Biomed Board of Members. Biomed is a beneficial owner of 3.61% of our outstanding common stock and holds on aggregate of $7 million face amount of our convertible promissory notes. Mr. Weiner is also the Manager and 42.3% equity member of Technology Innovations, LLC, which is a 57% equity member of Biomed. Further, Mr. Weiner is on the board of Nanoset, LLC, an entity owned in part by Biomed and with which we have entered into a technology license agreement, and Myotech, LLC, an entity in which Biomed is a 25% owner. Messrs Weiner and Kenzie, as well as Steven Katz, another of our directors, and John Lanzafame, our COO, are also on the Board of NaturalNano, Inc., the principal owner of which is Technology Innovations, LLC. NaturalNano has entered into a research and development agreement with us for drug eluting technology.

Because of the nature of our business and the business of these other entities, the relationships of Messrs. Weiner, Kenzie, Katz and Lanzafame with these other entities may give rise to conflicts of interest with respect to certain matters affecting us. All potential conflicts may not be resolved in a manner that is favorable to us. We believe it is impossible to predict the precise circumstances under which future potential conflicts may arise and therefore intend to address potential conflicts on a case-by-case basis. Under Nevada law, directors have a fiduciary duty to act in good faith and with a view to the best interests of the corporation.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not make any unregistered sales of our equity securities during the quarter ended August 31, 2006.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

On Tuesday July 18, 2006, pursuant to proper notice to stockholders, the Company held its Annual Meeting of Stockholders in Rochester, New York. At the Meeting, the following directors were elected, by the indicated vote, to serve as directors until the next Annual Meeting of Stockholders or until their successors are elected and qualified.

Nominee	For	Withhold
Michael L. Weiner	58,555,044	676,031
Guenter H. Jaensch	58,630,944	600,131
Steven Katz	58,427,534	803,541
Ross B. Kenzie	58,495,494	735,581
Theodore A. Greenberg	58,647,094	583,981

A proposal was made to approve the Company's 2006 Incentive Stock Plan. The proposal carried by a vote of 18,332,722 for, 1,355,185 against and 148,804 abstaining.

Lastly, stockholders ratified the appointment of Goldstein Golub Kessler, LLP, as the Company's independent registered public accounting firm for the fiscal

year ending February 28, 2007 by a vote of 58,911,890 for, 274,216 against and 44,969 abstaining.

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description	Location
31.1	Certification of C.E.O. pursuant to Rule 13a-14(a)	Filed herewith
31.2	Certification of C.F.O. pursuant to Rule 13a-14(a)	Filed herewith
32.1	Certification of C.E.O. pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350	Filed herewith
32.2	Certification of C.F.O. pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350	Filed herewith

SIGNATURES

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

BIOPHAN TECHNOLOGIES, INC.
(Registrant)

By: /s/ Michael L. Weiner

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

By: /s/ Darryl L. Canfield

Name: Darryl L. Canfield
Title: Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)

Date: January 24, 2007