BIOPHAN TECHNOLOGIES INC
Form 10-Q
January 17, 2006

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

FORM 10-Q

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

For the quarterly period ended: November 30, 2005

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes |_| No |X|

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 January 12, 2006- Common Stock, $.005 par value - 81,805,243 shares

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Biophan Technologies, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Biophan Technologies, Inc. and Subsidiaries (the "Company") as of November 30, 2005, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended November 30, 2005 and 2004 and the condensed consolidated statements of cash flows for the nine month periods ended November 30, 2005 and 2004. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board, the consolidated balance sheet of Biophan Technologies, Inc. and Subsidiaries as of February 28, 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended and the amounts included in the cumulative column in the consolidated statements of operations and cash flows for the period from March 1, 2000 to February 28, 2005 (not presented herein). In our report dated April 6, 2005, except for Note 13 to the financial statements as to which the date was May 27, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 28, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

GOLDSTEIN GOLUB KESSLER LLP
New York, New York

December 28, 2005

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	November 30, 2005 (Unaudited)	February 28,
Current assets:		
Cash and cash equivalents	$ 2,587,376	$ 753,288

Stock subscription receivable	--	900,000
Due from related parties	86,836	220,959
Prepaid expenses	175,941	91,596
Other current assets	77,170	41,338
Total current assets	2,927,323	2,007,181
Property and equipment, net	94,381	73,518
Other assets:		
Intellectual property rights, net of amortization	956,809	997,738
Investment in and advances to Myotech, LLC	11,105,053	--
Investment in New Scale Technologies, Inc.	100,000	100,000
Security deposit	3,800	2,933
Deferred tax asset, net of valuation allowance of $6,804,000 and $4,787,000, respectively	--	--
	12,165,662	1,100,671
	$ 15,187,366	$ 3,181,370
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,640,646	$ 1,037,103
Note payable	--	200,000
Line of credit - related party	500,000	--
Deferred revenues	500,000	225,000
Total current liabilities	2,640,646	1,462,103
Minority interest	26,523	--
Stockholders' equity:		
Common stock $.005 par value Authorized 125,000,000 shares Issued and outstanding 81,683,243 and 74,317,832 shares, respectively	408,416	371,589
Stock subscription receivable	--	(150,000)
Additional paid-in capital	41,405,072	18,982,952
Deficit accumulated during the development stage	(29,293,291)	(17,485,274)
	12,520,197	1,719,267
	$ 15,187,366	$ 3,181,370

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 November 30,		Nine Months En November 30	
	2005	2004	2005	20
Revenues:				
Development payments	$ 225,000	$ --	$ 225,000	$
License fees	187,500	--	250,000	
Operating revenue of European subsidiary	54,435	--	113,119	
	466,935	--	588,119	
Operating expenses:				
Research and development	1,212,239	685,469	5,103,743	1,
General and administrative	1,548,299	1,055,312	6,567,924	2,
Write-down of intellectual property rights	--	--	--	
	2,760,538	1,740,781	11,671,667	4,
Operating loss	(2,293,603)	(1,740,781)	(11,083,548)	(4,
Other income(expense):				
Interest expense	(243,332)	--	(1,010,648)	
Interest income	48,922	2,555	60,638	
Other income	113,312	33,534	225,541	
Other expense	--	--	--	
	(81,098)	36,089	(724,469)	
Loss from continuing operations	(2,374,701)	(1,704,692)	(11,808,017)	(3,
Loss from discontinued operations	--	--	--	
Net loss	$ (2,374,701)	$ (1,704,692)	$(11,808,017)	$ (3,
Loss per common share - basic and diluted	$ (0.03)	$ (0.02)	$ (0.16)	$
Weighted average shares outstanding	76,814,262	70,029,872	75,448,772	68,

See Notes to Condensed Consolidated Financial Statements.

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended November 30,	
	2005	2004
Cash flows used for operating activities:		
Net loss	$(11,808,017)	$ (3,958,
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intellectual property rights	40,929	
Depreciation	30,882	20,
Loss on disposal of equipment	1,505	
Realized and unrealized losses on marketable securities	--	
Accrued interest on note converted to common stock	19,506	
Amortization of interest on convertible notes payable	--	
Write-down of intellectual property rights	--	
Amortization of discount on payable to related party	958,160	
Issuance of common stock for services	--	
Issuance of common stock for interest	--	
Grant of stock options for services	4,644,202	110,
Expenses paid by stockholder	--	
Minority interest	26,523	
Changes in operating assets and liabilities:		
(Increase) decrease in due from related parties	134,123	(348,
(Increase) decrease in prepaid expenses	(84,345)	(36,
(Increase) decrease in other assets	(35,832)	
(Increase) decrease in security deposits	(867)	
Increase (decrease) in accounts payable and accrued expenses	603,544	143,
Increase (decrease) in due to related parties	--	
Increase (decrease) in deferred revenues	275,000	225,
Net cash used in operating activities	(5,194,687)	(3,843
Cash flows used for investing activities:		
Purchases of property and equipment	(53,250)	(38,
Sales of marketable securities	--	1,150,
Purchase of investment	--	(100,
Investment in and advances to Myotech, LLC	(766,585)	
Cash paid for acquisition of Biophan Europe, net of cash received of $107,956	--	
Purchases of marketable securities	--	
Net cash provided by (used in) investing activities	(819,835)	1,011,

(CONTINUED ON FOLLOWING PAGE)

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended November 30,	
	2005	2004
Cash flows provided by financing activities:		
Proceeds of bridge loans	--	-
Loan from stockholder	--	-
Proceeds from line of credit borrowing - related party	2,000,000	-
Line of credit payments - related party	(500,000)	-
Repayment of note payable	(200,000)	-
Proceeds from sales of capital stock	6,050,000	1,655,00
Exercise of options	182,541	12,50
Exercise of warrants	20,707	811,30
Swing profits	295,362	306,72
Deferred equity placement costs	--	(22,10
Net cash provided by financing activities	7,848,610	2,763,41
Net increase (decrease) in cash and cash equivalents	1,834,088	(68,51
Cash and cash equivalents, beginning	753,288	823,90
Cash and cash equivalents, ending	$ 2,587,376	$ 755,38
Cash paid for interest	$ 12,603	$ -
Supplemental schedule of non-cash investing and financing activities:		
Issuance of common stock for the acquisition of a 35% interest in Myotech, LLC	$ 10,338,468	$ -
Allocation of proceeds from line of credit - related party to beneficial conversion feature and warrants	$ 958,160	$ -
Issuance of common stock upon conversion of related party loans	$ 1,000,000	$ -
Liabilities assumed in conjunction with acquisition of a 51% interest in Biophan Europe and certain intellectual property rights	$ --	$ -
Intellectual property acquired through issuance of capital stock and assumption of related party payable	$ --	$ -
Acquisition of intellectual property	$ --	$ -
Issuance of common stock upon conversion of bridge loans	$ --	$ -
Common stock issued for subscription receivable	$ --	$ 845,00

See Notes to Condensed Consolidated Financial Statements.

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2005

INTERIM FINANCIAL STATEMENTS:

The condensed consolidated financial statements as of November 30, 2005 and for the three months and nine months ended November 30, 2005 and 2004 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-KSB for the fiscal year ended February 28, 2005.

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"), and its majority owned subsidiaries Biophan Europe GmbH ("Biophan Europe"), formerly aMRIs GmbH, and TE Bio LLC ("TE Bio"), collectively referred to as the "Company". All significant intercompany accounts and transactions have been eliminated in consolidation.

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. Therefore, the Company is in the development stage and will remain so until the realization of significant revenues. The Company's ability to continue in business is dependent upon obtaining 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 compatible (allow effective imaging of the device and its surrounding tissue) with MRI (magnetic resonance imaging). The Company is also developing technologies for improving MRI contrast agents; for improved drug elution and drug delivery systems, including an MRI safe and image compatible

ceramic motor; a system for generating power for implantable devices from body heat, and a series of implantable devices including an MRI-visible vena cava filter.

ACCOUNTING FOR STOCK OPTIONS:

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

	Three Months Ended November 30, 2005	2004	Nine
Net loss - as reported	$ (2,374,701)	$ (1,704,692)	$(11,
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	29,500	40,000	4,
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(220,466)	(74,000)	(6,
Net loss - pro forma	$ (2,565,667)	$ (1,738,692)	$(13,
Basic and diluted loss per share - as reported	$ (.03)	$ (.02)	$
Basic and diluted loss per share - pro forma	$ (.03)	$ (.02)	$

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), which replaces SFAS No. 123 and supersedes APB No. 25. SFAS No. 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on alternative fair value models. The share-based compensation cost will be measured based on the fair value of the equity or liability instruments issued. Per APB No. 25, compensation expense was recognized only to the extent the fair value of common stock exceeded the stock option exercise price at the measurement date. In addition, the pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow as required under current literature. Under the effective date provisions included in SFAS No. 123R, the Company would have been required to implement SFAS No. 123R as of the first interim or annual period that begins after June 15, 2005. On April 14, 2005, the SEC delayed the effective date which allows companies to implement SFAS No. 123R at the beginning of the first fiscal

year after June 15, 2005, which would be March 1, 2006 for the Company. The Company is evaluating the requirements of SFAS No. 123R and expects that the adoption will have a material impact on the consolidated results of operations and earnings per share similar to the current pro-forma disclosures under SFAS No. 123, as per above.

For the nine months ended November 30, 2005, the non-cash charge to earnings for stock options granted was $4,644,202 of which $4,244,280 is related to the vesting, during the first and second quarters, of contingent options previously granted to executive officers and non-employee directors that vested on a contingent basis upon the achievement of specified performance-based milestones. These particular options, because they are not "fixed and determinable", do not qualify under the accounting rules for "disclosure only" treatment and accordingly, must be expensed for any intrinsic value at the time and to the extent that they vest. The calculated amounts resulted in a non-cash charge in the statement of operations and an offsetting credit to additional paid-in capital.

RECLASSIFICATION

For comparative purposes, certain amounts in the accompanying statement of operations for fiscal 2005 have been reclassified to conform to the presentation used for fiscal 2006. 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 including 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.

PREPAID EXPENSES:

Prepaid expenses comprise the following at November 30, 2005:

Prepaid conference fees	$ 50,300
Prepaid insurance	37,516
Prepaid license fees to New Scale Technologies, Inc. - related company	25,000
Prepaid legal fees	30,000
Prepaid supplies	18,125
Prepaid royalties - related company	15,000
	$175,941

INVESTMENTS:

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. Under the Securities Purchase Agreement, we will also purchase for cash consideration of $2.225 million an additional 811,037 Class A units of Myotech over a six-month period. We are obligated to issue the shares and fund the investment amount, subject to certain conditions. This acquisition will be accounted for under the equity method.

Further, at our discretion, we may purchase up to an additional 3,563,097 Class A units of Myotech for aggregate cash consideration of $9.775 million upon achievement of certain milestones satisfactory to Biophan measured over a 24-month period. Upon the consummation of these additional elective milestone investments, we would hold a majority interest in Myotech.

LINE OF CREDIT AGREEMENT:

On May 27, 2005, we entered into an unsecured loan agreement with Biomed Solutions LLC, a related company, 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. During the quarter ended November 30, 2005 amortization of the discount on the note resulted in a non-cash interest expense of $229,137. The balance of borrowings on the line was $500,000 at November 30, 2005.

In addition, Biomed Solutions, LLC, has committed to provide us with a $5 million credit facility at terms we believe to be competitive to comparable transactions in the event such credit is needed.

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

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 of the technical solutions that we pursue is strongly protected by intellectual property to ensure that we have the capability of effectively marketing our technologies. Whenever possible, we attempt to develop and patent multiple solutions for any given technology challenge. 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, or stent visibility, as we introduce our technologies to the market.

This approach has resulted in the development of a range of core technologies, and our presence in a number of different but 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 several quarters, we have been developing, or have acquired:

- Technology to improve vascular stents so they can be imaged with MRI to detect the presence of restenosis (blockage) after implantation;
- Technology to enable manufacture of an MR image compatible vena cava, which allows MR imaging of blood clots that may be present and therefore pose a risk to removal of the device;
- Technology to enhance the MRI safety and MR image compatibility of pacemakers, cardio-defibrillators, neurostimulators, pain control devices, pumps, and virtually any implanted or interventional device which has elongated metal leads or metal components;
- Technologies to enable improved MRI contrast agents;
- Market opportunities for our MRI safe and image compatible ceramic motor, the Squiggle(TM) motor;
- A system for generating power for implantable devices from body heat, in cooperation with NASA;
- Technology to improve drug elution and drug delivery systems, including providing "active release" using non-invasive or minimally invasive activation; and
- An improved ventricular assist device (VAD).

Licensing and Joint Venture Strategy

Boston Scientific License

On June 30, 2005, we entered into a licensing agreement with Boston Scientific Scimed, Inc. The agreement provides Boston Scientific with the right to use Biophan's MRI safety and image compatibility technology and other technologies in a broad range of exclusive and non-exclusive product areas at royalty rates of 3% to 5%. The exclusive product area includes vascular implants and the non-exclusive product area covers a broad array of medical devices. Boston Scientific has the right to sub-license the exclusive product areas to third parties, with Biophan and Boston Scientific to share all proceeds from these parties. The agreement also provides for milestone payments to Biophan for specific product areas which may be as high as several million dollars per product. In addition, the agreement required Boston Scientific to make an

initial upfront payment to Biophan of $750,000 (which will not be an offset to future earned royalties); make annual minimum royalty and substantial annual earned royalty payments; and receive 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 will be recognized as revenue over the next twelve months. Accordingly, one-quarter of $750,000, or $187,500 was recorded as revenue in the current quarter ended November 30, 2005.

In December, 2005, we received $250,000 for the first annual minimum payment under our license. The agreement calls for milestone payments upon achievement of significant project milestones, with some of these milestones in the multi-million dollar range, and requires payment of royalties for products sold incorporating our technologies. Boston Scientific has sublicensing rights to certain technologies, sharing revenue with Biophan, and other product lines will revert to Biophan in the event of non-performance. The agreement includes rights to our technology for making pacemakers, defibrillators and neurostimulators safe and image compatible for use with MRI. This agreement is available as an Exhibit to our 10-Q for the quarter ended August 31, 2005, as amended on January 9, 2005.

Acquisition of Intellectual Assets

We currently have an overall estate of 213 patents, including 157 U.S. patents, inclusive of those assigned and licensed, and including filed applications and allowed and issued patents. Of these, 48 U.S. patents have issued. Additionally, we have 56 international patents or applications in process.

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

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). The patents include those licensed from Nanoset, LLC. Nanoset's technology can be used to reduce image artifacts caused by implantable and interventional medical devices.

The patents total also includes those licensed as part of the Biophan Europe acquisition whereby we obtained worldwide exclusive rights to a significant patent portfolio totaling fifteen issued and pending patents covering critical capabilities needed by the medical industry as the use of MRI interventional medicine and MRI diagnostics for examination of stents and other implants becomes standard medical procedure.

On an ongoing basis, we are aggressively pursuing internal research and development projects, as well as sourcing leading-edge providers of related technologies. We are currently reviewing several cardiovascular technologies which we feel have potential for exclusive licensing in, and subsequent product development and licensing out. Intellectual property, such as technology solutions and patents, may be developed internally, through joint ventures, licensed in, or purchased. To ensure the continuing value of our intellectual assets, we intend to aggressively defend our patents and licensed technology, both domestically and abroad.

Liquidity

On June 30, 2005, we executed a definitive equity investment agreement and a technology license with Boston Scientific Scimed. The equity transaction consists of the purchase of Biophan common stock totaling $5 million, priced at $3.02, which represents a 10% premium over the average of the closing price for the 30 calendar-day period prior to the closing. The technology license includes an upfront payment of $750,000 and annual maintenance fees, in addition to royalties and milestone payments. Funding under both agreements occurred on August 2, 2005.

To ensure that we would have adequate cash on hand for pending activities, on May 27, 2005, Biomed Solutions LLC, an affiliate of Biophan, agreed to provide us with a line of credit facility of up to $2 million. Borrowings under the line bear interest at 8% per annum and are convertible at 90% of the average closing price for the 20 trading days preceding the date of the borrowing. In June 2005, the full $2 million was loaned and Biomed received warrant coverage of 500,000 shares priced at 110% of the average closing price for the 20 trading days preceding the date of execution of the credit agreement. The independent board members of Biophan negotiated and approved this credit facility. The terms of this credit facility are considered to be better than are available from commercial lending sources. On August 31, 2005, Biomed elected to convert $1 million of the outstanding loan, plus accrued interest to date, into 480,899 shares of our common stock. On October 7, 2005, we repaid $500,000 of principal plus all accrued interest on the outstanding loan. Biomed has extended the terms of our repayment of the remaining $500,000.

On May 27, 2005, we cancelled a previous financing agreement and entered into a new agreement executed with SBI Brightline XI, LLC providing a $30 million fixed price financing for 10,000,000 shares at an average price of $3 per share, if we take the full facility, and with a range from $2 a share to $4 a share, which must be taken in sequential tranches of 1 million shares each. We amended this financial agreement on January 8, 2006 to clarify a minor ambiguity in the agreement related to the closing dates. There are no warrants or fees associated with this agreement. The financing requires the shares to be registered for resale.

Effective November 30, 2005, we entered into a Securities Purchase Agreement with Myotech, LLC to acquire a substantial minority interest in Myotech, LLC with the right to acquire a controlling interest. The acquisition involved approximately $11.1 million of newly issued shares of our common stock and cash advances in exchange for Class A units in Myotech, LLC. The independent members of our Board of Directors negotiated, recommended and approved all terms of this transaction. Our Board of Directors, including the independent members, determined that the transaction was in the best interests of Biophan and our stockholders. In addition, the independent committee received a fairness opinion from an NYSE-listed national investment banking firm stating that the transaction was fair to our stockholders from a financial point of view. As a result of the acquisition of a minority interest in Myotech, we recorded a substantial increase in our net worth to $12.5 million from the previous quarter's $4.5 million.

Our affiliate Biomed Solutions, LLC, has committed to provide us with a $5 million credit facility at terms we believe to be competitive to comparable transactions. Biomed Solutions is headed by Biophan CEO Michael Weiner, who is also a substantial beneficial owner of Biomed Solutions.

We believe that funding available under the SBI stock purchase agreement, the Biomed line of credit, and the Boston Scientific investment will provide the Company with adequate working capital resources for the upcoming 12 months of

operations including the ability to fund, as needed, potential additional acquisitions and expansion of operations.

Our estimate of our cash requirements for the next twelve months is as follows:

	(000's)
Research and product development expenses, including $ 720,000 to fund Biophan Europe research and development	$ 3,700
Milestone investments in Myotech, LLC	5,400
General and administrative expenses, including administrative salaries and benefits, sales and marketing, program management, office expenses, rent expense, legal and accounting, publicity, and investor relations	5,500
Total estimated cash requirements for next twelve months	$14,600

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 for the three and nine-month periods ended November 30, 2005 as compared to the three and nine-month periods ended November 30, 2004. These comments should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto included in the Company's Form 10-KSB for the fiscal year ended February 28, 2004.

Three Months Ended November 30, 2005 Compared to Three Months Ended November 30, 2004

Revenue. Revenues were $0.467 million for the three months ended November 30, 2005 as compared to no revenues for the three months ended November 30, 2004. The increase is 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 research and development consulting services to medical device manufacturers.

Research and Development. Research and development expenses increased by 77%, to approximately $1.2 million for the 3 months ended November 30, 2005 from approximately $0.685 million for the three months ended November 30, 2004 due primarily to expenses for Biophan Europe, patent attorney fees and accelerated efforts in obtaining license rights.

General and Administrative. General and administrative expenses increased by 47% to approximately $1.55 million for the 3 months ended November 30, 2005 from approximately $1.06 million for the three months ended November 30, 2004 primarily due to increases in publicity, legal and consulting fees, and salaries.

Interest Expense. Interest expense of approximately $0.24 million pertained to interest on borrowings under a line of credit extended from Biomed Solutions,

LLC. The details of this agreement are described under the heading "Line of Credit Agreement."

Nine Months Ended November 30, 2005 Compared to Nine Months Ended November 30, 2004

Revenue. Revenues were $0.588 million for the nine months ended November 30, 2005 as compared to no revenues for the nine months ended November 30, 2004. The increase is 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 research and development consulting services to medical device manufacturers.

Research and Development. Research and development expenses increased by 202% to approximately $5.1 million for the 9 months ended November 30, 2005 from approximately $1.7 million for the nine months ended November 30, 2004. due primarily to accelerated efforts in obtaining license rights, expenses for Biophan Europe, patent attorney fees, salaries, and additional compensation expense in the first and second quarters related to the vesting of contingent stock options.

General and Administrative. General and administrative expenses increased by 174% to $6.57 million for the 9 months ended November 30, 2005 from approximately $2.40 million for the nine months ended November 30, 2004. The increase in general and administrative expenses is primarily due to an increases publicity and investor relations, legal and consulting fees, salaries, and additional compensation expense in the first and second quarters related to the vesting of contingent stock options during the first nine months of 2005 as compared to last year.

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 eighteen full-time individuals.

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 November 30, 2005, 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 months ended November 30, 2005, foreign currency translation gains were approximately $1,600 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

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, our principal executive officer and principal financial officer, with the participation and assistance of our management, concluded that our disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, were effective in design and operation. There have been no changes in our system of internal control over financial reporting in connection with the evaluation by our principal executive officer and principal financial officer during our fiscal quarter ended November 30, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 2. Unregistered Sales of Equity Securities and Use of Proceeds

On November 30, 2005, we entered into a Securities Purchase Agreement with Myotech, LLC, a New York limited liability corporation, whereby we issued to Myotech 4,923,080 previously authorized but unissued shares of our common stock, par value $.005 per share, in exchange for 3,768,488 Class A units of Myotech. Our common stock was valued at $2.10 per share, and the Myotech units were valued at $2.7434 per unit. The shares were issued in a private placement exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "Act"), pursuant to the exemption set forth in Section 4(2)of the Act . We did not receive any cash consideration for issuance of these shares

of common stock. No underwriters were involved in the placement of the common stock. The shares are subject to the Rights Agreement entered into by and among us, the Myotech members and Myotech, dated as of November 30, 2005.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

Not applicable

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Location
4.1	Rights Agreement by and among Myotech, LLC the Members of Myotech, LLC, and Biophan Technologies, Inc.	Filed herewith
4.2	First Amendment to Line of Credit Agreement Between Biophan Technologies, Inc. and Biomed Solutions, LLC	Filed herewith
4.3	First Amendment to Convertible Promissory Note	Filed herewith
10.1	Securities Purchase Agreement between Biophan Technologies Inc. and Myotech, LLC., dated November 30, 2005	Filed herewith
10.2	Letter Agreement, Amendment and Waiver of Certain Conditions to Closing, between Biophan Technologies and Myotech, LLC, dated December 21, 2005	Filed herewith
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/ Robert J. Wood

Name: Robert J. Wood
Title: Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

Date: January 17, 2006