BIOPHAN TECHNOLOGIES INC
Form 10QSB
July 15, 2004

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

FORM 10-QSB

|X| Quarterly Report under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended: May 31, 2004

|_| Transition Report under Section 13 or 15(d)
of the Exchange Act of 1934

For the transition period from ____ to ____

Commission File No. 0-26057

BIOPHAN TECHNOLOGIES, INC.

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

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

(585) 214-2441
Issuer's telephone number

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

|X| Yes |_| No

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

Class	Outstanding as of July 13, 2004
Common Stock, $.005 par value	67,317,685

Transitional small Business Disclosure Format (Check One): Yes |_| No |X|

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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 May 31, 2004, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended May 31, 2004 and 2003. 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 29, 2004, and the related consolidated statements of operations, stockholders' deficiency, 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 August 1, 1968 to February 29, 2004 (not presented herein). In our report dated March 30, 2004, 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 29, 2004, 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

June 30, 2004

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

CONDENSED CONSOLIDATED BALANCE SHEETS

	May 31, 2004 (Unaudited)	February 29, 2004
ASSETS		
Current Assets:		
Cash	$ 169,185	$ 823,900
Investments in marketable securities	1,150,000	1,150,000
Due from related parties	121,679	34,222
Prepaid expenses	71,812	69,185
Total Current Assets	1,512,676	2,077,307
Property and equipment, net	64,735	61,214
Other Assets:		
Intellectual property rights	70,000	70,000
Security deposit	2,933	2,933
Deferred equity placement costs	41,997	19,891
Deferred tax asset, net of valuation		

allowance of $3,233,000 and $2,926,000 respectively	--	--
	114,930	92,824
	$ 1,692,341	$ 2,231,345
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 245,279	$ 254,058
Total Current Liabilities	245,279	254,058
Stockholders' Equity:		
Common stock, $.005 par value Authorized, 80,000,000 shares Issued and outstanding, 66,864,610 and 65,945,011 shares respectively	334,323	329,725
Additional paid-in capital	13,756,491	13,339,289
Deficit accumulated during the development stage	(12,643,752)	(11,691,727)
	1,447,062	1,977,287
	$ 1,692,341	$ 2,231,345

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 May 31,		Period from August 1, 1968 (date of inception) to
	2004	2003	May 31, 2004
Revenues:			
Development payments	$ --	--	$ 75,000
Operating expenses:			
Salaries and related	134,704	127,642	1,831,704
Research and development	426,215	238,103	4,102,046
Professional fees	65,872	106,109	2,642,963
Write-down of intellectual property	--	--	530,000
General and administrative	367,895	104,736	2,130,571
	994,686	576,590	11,237,284

Operating loss	(994,686)	(576,590)	(11,162,284)
Other income(expense):			
Interest expense	--	(110,251)	(1,730,923)
Interest income	858	902	47,436
Other income	41,803	27,804	356,462
Other expense	--	--	(65,086)
	42,661	(81,545)	(1,392,111)
Loss from continuing operations	(952,025)	(658,135)	(12,554,395)
Loss from discontinued operations	--	--	(89,357)
Net loss	$ (952,025)	$ (658,135)	$(12,643,752)
Loss per common share -basic and diluted	$ (0.01)	$ (0.02)	
Weighted average shares outstanding	66,419,732	37,634,693	

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Period from August 1, 1968 (date of inception) May 31, to
	2004	2003	May 31, 2004
Cash flows from operating activities:			
Net loss	$ (952,025)	$ (658,135)	$(12,643,752)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	5,509	5,764	69,682
Realized and unrealized losses on marketable securities	--	--	66,948
Accrued interest on note converted to common stock	--	--	11,998
Amortization of interest on convertible notes payable	--	91,232	1,050,950
Write-down of intellectual property rights	--	--	530,000
Amortization of discount on payable to related party	--	--	75,000
Issuance of common stock for services	--	--	101,108
Issuance of common stock for interest	--	--	468,823
Grant of stock options for services	30,000	30,000	1,782,800

Expenses paid by stockholder	--	--	2,640
Changes in operating assets and liabilities:			
Decrease in advances receivable	--	5,632	--
Increase in due from related parties	(87,457)	(5,037)	(121,679)
(Increase) decrease in prepaid expenses	(2,627)	39,546	(71,812)
Increase in security deposits	--	--	(2,933)
Increase (decrease) in accounts payable and accrued expenses	(8,779)	165,811	231,948
Decrease in due to related parties	--	(95)	(43,496)
	(1,015,379)	(325,282)	(8,491,775)
Cash flows from investing activities:			
Purchases of property and equipment	(9,030)	(18,690)	(134,417)
Sales of marketable securities	--	302,000	1,219,270
Purchases of marketable securities	--	--	(2,436,218)
	(9,030)	283,310	(1,351,365)
Cash flows from financing activities:			
Proceeds of bridge loans	--	--	986,500
Loan from stockholder	--	--	143,570
Line of credit borrowing from related party	--	50,000	550,950
Line of credit payments	--	--	(72,500)
Net proceeds from sales of capital stock	--	--	7,363,849
Proceeds from exercise of options	--	--	427,847
Proceeds from exercise of warrants	391,800	--	724,644
Deferred equity placement costs	(22,106)	(13,324)	(112,535)
	369,964	36,676	10,012,325
Net increase(decrease)in cash	(654,715)	(5,296)	169,185
Cash, beginning	823,900	48,935	--
Cash, ending	$ 169,185	$ 43,639	$ 169,185
Supplemental schedule of noncash investing and financing activities:			
Intellectual property acquired through issuance of capital stock and assumption of related party payable	$ --	$ --	$ 175,000
Acquisition of intellectual property	$ --	$ --	$ 425,000
Issuance of common stock upon conversion of bridge loans	$ --	$ --	$ 1,142,068
Issuance of common stock upon conversion of related party loans	$ --	$ --	$ 978,450

See Notes to Condensed Consolidated Financial Statements.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2004

INTERIM FINANCIAL STATEMENTS:

The condensed consolidated financial statements as of May 31, 2004 and for the three months ended May 31, 2004 and 2003 are unaudited. However, in the opinion of management of the Company, these financial statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the financial position and results of operations for such interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results to be obtained for a full year.

BASIS OF CONSOLIDATION:

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

ORGANIZATIONAL HISTORY:

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

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

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

On June 3, 2004, the Company acquired a 51% interest in TE Bio LLC ("TE Bio"), a newly formed limited liability company that acquired an exclusive license to certain technology from Biomed, to which no value has been assigned. Biomed has a 46.5% interest in TE Bio. The Company will invest $300,000 per year over three years in TE Bio and will also provide certain administrative, marketing, and research and development services. TE Bio has had no operations to date.

PRINCIPAL BUSINESS ACTIVITIES:

The Company is in the development stage and is expected to remain so for at least the next twelve months.

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

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 May 31,	2004	2003
Net loss - as reported	$(952,025)	$(658,135)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	30,000	30,000
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(62,000)	(50,000)
Net loss - pro forma	$(984,025)	$(678,135)
Basic and diluted loss per share - as reported	$ (.01)	$ (.02)
Basic and diluted loss per share - pro forma	$ (.01)	$ (.02)

PREPAID EXPENSES:

Prepaid expenses at May 31, 2004 consist of the following:

Prepaid royalties	$25,000
Prepaid legal fees	20,000
Prepaid insurance	8,687
Prepaid supplies	18,125
	$71,812

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CHANGES IN EQUITY:

During the quarter ended May 31, 2004, a total of 919,599 shares of common stock were issued upon exercise of warrants at prices ranging from $.25 to $1.00. Proceeds of $391,800 were received increasing the capital stock account by $4,598 and additional paid-in capital by $387,202. Additional paid-in capital was also increased by $30,000 of expense related to stock options granted for services.

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ITEM 2. PLAN OF OPERATION

We are currently in the development stage of operations and expect to be in that mode for at least the next twelve months. Our primary mission is to develop and commercially exploit technologies for enabling cardiac pacemakers and other implantable medical devices and interventional surgical devices to be safe and compatible with MRI. We believe that we have successfully demonstrated an effective solution for making pacemakers safe for use with MRI and providing a meaningful margin of safety. Our solution addresses both the problems of device heating and induced voltages in pacemakers, the two primary problems associated with the use of MRI for patients with pacemakers. Today, approximately 3 million pacemaker recipients are denied access to MRI when needed, due to safety concerns and FDA contraindications. If manufacturers of pacemakers incorporated our solution into their products, we believe they would be safe for use with MRI.

Additionally, our work with image compatibility of devices can reduce image artifacts of pacemaker lead, so that the device can be imaged. We believe that this adds the additional patient benefit, and competitive advantage, of being then able to conduct an MRI angiogram of a pacemaker recipient under MRI. This would allow a non-invasive procedure where today an invasive procedure is required. Further, the pacemaker lead can be inserted and positioned under MRI, which today is not possible.

We are in ongoing discussions with the major pacemaker manufacturers, and one or more of these companies is currently evaluating our technologies and patents.

We recently conducted research with a major university confirming that there are serious further dangers posed to pacemaker patients by MRI imaging causing lead heating, as well as demonstrating the effectiveness of our solutions. We believe that pacemaker manufacturers, once provided with further evidence of the dangers associated with their products in the context of MRI and the effectiveness of our technology, will wish to incorporate our technology into their products to avoid potential liabilities from the sale of devices that could have been made safer. We are planning additional studies to demonstrate the potential effects of thermogenic heat damage on tissue which has the potential to interfere with proper pacing voltages at the tissue interface where the electrode tip touches the myocardium. We believe the heating occurs not at the electrode tip, but slightly away from it, where the electrical flow is impeded by tissue.

On June 3, 2004, we acquired a 51% interest in TE Bio LLC a company developing an implantable biothermal battery using body heat gradiants to power medical devices such as pacemakers, defibrillators, and drug pumps. The biothermal

battery technology is based on a patented innovation in the utilization of thermoelectric materials, using nanoscale-based, thin-film materials to convert thermal energy produced naturally by the human body into electrical energy. The resulting power can be used to "trickle charge" batteries for medium-power devices such as defibrillators, or directly power low-energy devices like pacemakers. It is enabled by nanotechnology which provides the ability to put thousands and thousands of small semi-conductor nodes that convert heat to electricity in a space about the size of one or two postage stamps. We presented the technology at the NASPE Heart Rhythm Society meeting in San Francisco earlier this year and received substantial industry interest from major device manufacturers. We have recruited several consultants experienced in this technology to assist us in developing it.

Biophan committed $300,000 annually for a three-year period, and marketing and management support to TE Bio, in exchange for Biophan's 51% interest. TE Bio was founded by Biomed Solutions, LLC, an affiliate and the company which Biophan spun out from in December 2000. The independent board of Biophan evaluated the technology and authorized the acquisition, after conclusion of a third party feasibility study.

Also, on June 4, 2004, we announced that we had acquired from New Scale Technologies, Inc. the exclusive worldwide distribution rights for the medical market for New Scale's ceramic "SQUIGGLE(TM) motor", including the multi-billion dollar drug delivery market. Developed to meet the growing demand for high precision, low cost actuation devices, the motor is currently on the market generating revenues and is available for OEM integration today. The motor uses no metal wire windings (one of the primary causes of image interference under MRI), is capable of both linear and rotational movement, and can move forward and backwards several inches at nanometer increments, thereby providing a controllable drug release environment.

As part of the exclusive distribution agreement, Biophan will provide sales and marketing to the medical device industry on behalf of New Scale and has also made a small minority investment in the company. The motor offers several advantages for driving drug pumps, and other medical applications. Using only four parts (other motors can have as many as 100 parts), it provides a unique combination of high reliability, flexibility, and power consumption advantages. By using ceramic components and no windings, it is very compatible with MRI imaging.

This product also fits in with our strategic plan to be a provider of proprietary new technologies to our OEM customers and prospects. While we continue to provide solutions that will one day enable all biomedical devices to be MRI-safe and image compatible, we have expanded our focus to bring additional, proprietary innovations to our customers. We continue to maintain an ongoing and in-depth dialog with both the research and development and business development executives at many of the largest manufacturers of biomedical device companies. This interaction gives us a broad view of the short- and long-term needs of these companies for support of both their current and future product lines.

We share gross profit equally with New Scale Technologies, the inventor and manufacturer of the technology. Biophan provides sales and marketing, and a $25,000 quarterly advance, reconcilable against current year sales, to New Scale, which enables New Scale to further develop unique capabilities for the medical market. The motor is already on the market for non-medical applications and evaluation units are being sold to customers around the world. The motor is currently under review by several biomedical device manufacturers of drug pumps

and other devices. Biophan also acquired a minority equity interest in New Scale for $100,000.

On February 5, 2004, we entered into a second stock purchase agreement with SBI Brightline Consulting, LLC that obligates SBI to purchase, upon our election, up to 17,750,000 shares of our common stock for an aggregate purchase price of $25 million. SBI is not obligated to purchase shares pursuant to this stock purchase agreement unless the resale of the shares by SBI is registered under the Securities Act. Only 6,000,000 shares covered by this stock purchase agreement were registered for resale by SBI, because we previously had insufficient authorized shares. SBI is not obligated to purchase the remaining shares covered by the stock purchase agreement until we have registered the resale of such shares by SBI and then only upon our election. Our stockholders approved the proposal to amend our articles of incorporation to increase the number of authorized shares and we will now decide whether to register additional shares for resale by SBI, which will give us the right to sell such additional shares under the stock purchase agreement. Until the shareholder approval, which allows us to sell shares at the higher, $2 per share price, the SBI transaction was less attractive. Now that we have the authorization, we have notified SBI that we wish to exercise the first tranche of 2 million shares by the end of August 2004.

An additional factor influencing our decision to exercise all or part of the remaining SBI financing involves negotiations with several biomedical device and pharmaceutical companies, which may involve a combination of R&D development and/or licensing payments, as well as a strategic investment in equity in our company. Such an investment, should it occur, may resolve, in whole or in part, our capital requirements for listing on a major stock exchange, as well as providing us with working capital to continue our research, and possible milestone payments. As a result, we intend to be prudent in our exercise of the SBI line, even with its very attractive fixed price aspects.

Therefore, depending on the number of shares of stock that we sell to SBI under the stock purchase agreement or a potential strategic investment, or a combination thereof, the capital provided by such sales should enable us to satisfy the net worth requirements for a planned stock exchange listing.

We estimate that our current working capital and proceeds from the sale of our common stock pursuant to the SBI stock purchase agreement already registered, will be more than sufficient to satisfy our projected cash requirements over the next 12 months. Our estimate of these cash requirements is as follows:

Research and product development	$2,250,000
Operating expenses, including administrative salaries and benefits, officee expenses, rent expense, legal and accounting, publicity, investor relations	1,500,000
Total Cash Requirements	$3,750,000

These amounts include R&D and marketing for the ceramic motor and biothermal battery projects, including additional human resources.

We have adopted and are following three major strategic initiatives for fiscal

2005:

(1) Acquisition of Intellectual Assets, (2) Market Expansion, and (3) Strategic Partnerships.

(1)Biophan currently has an overall estate of 74 patents, inclusive of those assigned and licensed, and including filed applications and allowed and issued patents.

- From the perspective of ownership:
  - (29) are licensed from Nanoset, LLC, Johns Hopkins University, and Dr. Deborah Chung; these deal with MRI safety and compatibility, as well as MRI contrast agents and other nanoparticles technology.
  - (2) are licensed by TE Bio, LLC, which is in turn majority controlled by Biophan; these deal with Biothermal Power technology.
  - (43) are directly assigned to Biophan; these deal with MRI safety and compatibility and a variety of other medical device opportunities.
- Of the (74):
  - (14) have issued as U. S. patents.
  - (6) have been allowed and will issue as patents in the near future.
  - (54) are patent applications in various stages of prosecution in the USPTO.

  In addition, New Scale Technologies has filed for patent protection on its Squiggle Motor; Biophan has exclusive marketing and distribution rights for medical applications of this technology, but this is not reflected in the above numbers.

The patents also include those of our affiliates, such as Nanoset, LLC and TE Bio LLC. Nanoset's technology can be used to reduce image artifacts on implantable and interventional medical devices and for a new class of applications to enhance the uptake, release and monitoring of drugs in medical device coatings. TE Bio is developing our biothermal battery technology, contributing to our patent growth.

We are aggressively pursuing internal research and development projects, as well as sourcing leading-edge providers of related technologies. 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.

(2) We currently enjoy a leadership position in developing technologies designed to make implanted medical devices, such as pacemakers, safe for use with MRI and other diagnostic imaging tools. We have also developed technologies that allow medical devices to be used for interventional procedures, under MRI, without the heating problems that can cause tissue damage or imaging problems which can obscure the outcome of the procedures. Today most interventional procedures are performed under X-Ray, cat-scan, or fluoroscopy and expose both physicians and patients to ionizing radiation. Physicians need to wear heavy lead aprons that can cause back problems, etc., and patients are sometimes exposed to substantial radiation doses. If the MRI safety and compatibility issues of interventional devices were solved and devices were on the market, we believe that there would be a significant migration of procedures, over time, to use with MRI.

Based on discussions underway with several biomedical device manufacturers, and MRI manufacturers, both in the U.S. and overseas, we plan to expand the use of

the technologies we have developed to make a wider range of devices compatible with MRI. These technologies reduce radio frequency interference, heating, and induced voltages. Since the beginning of 2004 we have expanded our development and partnering activities related to these technologies to include guidewires, stents, drug pumps, biopsy needles and other prosthetic and surgical tool devices, where the lack of MRI compatibility negatively impacts investigational and diagnostic procedures.

Discussions with these device manufacturers indicate a need for, and interest in, solutions to additional problems based on our technology. We have used both surrogate devices (such as copper rings) and actual manufactured implantable products, in a gel phantom, to demonstrate our ability to accurately image devices and their interior spaces in a manner that could not be done previously. Part of our strategic initiative for the current fiscal year will include expanding our technology offerings to the companies with whom we are already in discussions or collaborating. These arrangements may include payments for R&D, licensing, equipment and materials purchases, milestone payments, as well as possibly strategic investments. Our goal is to reach positive cash flow as soon as possible.

Our Photonic MRI Microcoil (PMM) is one example of our expanded technology. Recent studies indicate up to 85% of heart attacks and strokes may be caused by vulnerable plaque which may result in thrombosis, and is not easily detected by other methods. Our technologies are designed to pinpoint specific sites where therapies can address the problem. By inserting the PMM directly into a blood vessel, MRI can provide a detailed look at vulnerable plaque without injury-causing heating or image degradation. There are other uses of our photonic catheter for diagnostics and therapeutic applications.

Another example of our expanding on the use of our nanomagnetic particle coating technology is NanoView. The concept of our NanoView technology is to utilize nanomagnetic particles, a specific type of nanotechnology, as contrast agents to preferentially bind to tissues of diagnostic interest with the goal of improving detail and contrast in MRI diagnostic image processes. We expect NanoView to improve performance in terms of signal intensity and the use of multiple markers, which broadens the applications of MRI imaging. We have begun discussions with several manufacturers of contrast agents and others in the diagnostic materials sector.

(3) Leveraging strategic partnerships is vital to our mission. In November, 2003, we announced that we had entered into a joint development agreement with Boston Scientific, a major medical device manufacturer. We have successfully completed the first phase of a multi-phase development plan with Boston Scientific, and we are currently working in the second and third phases of this program. Relationships such as this one help us validate our technology and also develop potential sales channels. We have entered into Non-Disclosure Agreements with a number of major manufacturers of implanted biomedical and related devices. We are discussing with these companies potential strategic partnership arrangements that may include joint development projects, original equipment manufacturing arrangements and licensing agreements. In addition, and in line with our initiative of developing strategic partnerships, we recently acquired a 10% interest in New Scale Technologies, Inc. for $100,000 and signed an exclusive worldwide distribution agreement for distribution of New Scale's ceramic motor. The motor offers several advantages for driving drug pumps and for other medical applications. Because the motor has ceramic components and no windings, it is compatible with MRI imaging.

In November 2003, we recorded $75,000 as a development payment from Boston

Scientific for prototype development of a prospective product adaptation. The development activities related to this payment have been completed. We are currently in the second phase of this agreement and have received $225,000 as an advance payment for the second and third phases which are underway. We are in ongoing discussions concerning additional phases of this initiative that, which if completed and successful, may lead to a license for one or more of our technologies in the context of one or more product lines.

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

Our plans do not include funding for FDA approvals, as our strategy is to supply solutions to the major biomedical device manufacturers, who will incorporate our technology into their existing and future product lines. It will be the responsibility of these manufacturers to apply for and receive FDA approval of their products. Since our technologies are made of known biocompatible, non-toxic materials, and since we do not change the method by which the devices conduct diagnostic and/or therapeutic functionality, we anticipate reasonable timeframes for our customers to obtain FDA approvals of devices that add our capability for safety and/or image enhancements.

ITEM 3. CONTROLS AND PROCEDURES

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-QSB, 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 May 31, 2004 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. We are not aware of any legal proceedings contemplated by any governmental authorities involving either us or our property. None of our directors, officers or affiliates is an adverse party in any legal proceedings involving us or our subsidiaries, or has an interest in any proceeding which is adverse to us or our subsidiaries.

Item 2. Changes in Securities and Use of Proceeds

During the three months ended May 31, 2004, the Company issued 919,599 shares of common stock upon exercise of warrants, receiving aggregate gross proceeds of $391,800. Of the total, 370,700 shares were issued at $.25 per share; 419,750 shares were issued at $.50 per share, and 39,899 shares were issued in connection with cashless exercise of warrants.

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 and Reports on Form 8-K

(a) Exhibit Index

No.		
2.1	Articles of Merger	Incorporated by reference to Exhibit 3.2 to Biophan's Form 10-KSB for the year ended February 29, 2000 (the "2000 10-KSB")
2.2	Articles of Dissolution	Incorporated by reference to Exhibit 3.3 to the 2000 10-KSB
2.3	Exchange Agreement, dated as of December 1, 2000, by and among Biophan, Biomed Solutions, LLC (formerly Biophan, LLC), and LTR Antisense Technology, Inc.	Incorporated by reference to Exhibit 2.3 to Biophan's Registration Statement on Form SB-2 (File No. 333-102526) (the "Prior Registration")
3.1	Articles of Incorporation (Nevada)	Incorporated by reference to Exhibit 3.1 to the 2000 10-KSB
3.2	Bylaws (Nevada)	Incorporated by reference to Exhibit 3.2 to Biophan's Form 10-SB filed on May 13,1999.
3.3	Amendment to the Articles of Incorporation	Incorporated by reference to Exhibit 3.1(i)to Biophan's Form 8-K, filed December 15, 2000.
3.4	Amendment to Exchange Agreement	Incorporated by reference to Exhibit 2 to Biophan's Form 10-KSB for the year ended February 28, 2001 and filed as an exhibit to Form SB-2a on May 1, 2003.
3.5	Certificate of Amendment to Articles of Incorporation	Incorporated by reference to Exhibit 3.1(i) to Biophan's Form 8-K on August 27, 2001.
4.1	Stock Purchase Warrant between Biophan and Biomed Solutions, LLC (formerly Biophan, LLC) dated for June 4, 2002	Incorporated by reference to Exhibit 4.1 to Biophan's Form 10-QSB the period ended May 31, 200

4.2	Restated Stock Purchase Warrant between Biophan and Biomed Solutions, LLC, dated January 8, 2003	Incorporated by reference to Exhibit 4.3 to Biophan's Form 10-QSB for the period ended November 30, 2002.
4.3	Stock Purchase Warrant between Biophan and Biomed Solutions, LLC dated November 11, 2002	Incorporated by reference to Exhibit 4.4 to Biophan's Form 10-QSB for the period ended November 30, 2002.
4.4	Form of Stock Purchase Warrant issued to principals of Carolina Financial Services, for a total of 121,572 shares	Incorporated by reference to Exhibit 4.5 to Biophan's Form 10-QSB for the period ended November 30, 2002.
4.5	Form of Stock Purchase Warrant issued to Carolina Financial services in connection with the Stock Purchase Agreement with Spectrum Advisors, Ltd	Incorporated by reference to Exhibit 4.6 to Biophan's Form 10-QSB for the period ended November 30, 2002

4.6	Form of Stock Purchase Warrant issued to investors in private placement of securities, for a total of 2,770,550 shares	Incorporated by reference to Exhibit 4.7 to Biophan's Form 10-QSB for the period ended November 30, 2002.
4.7	Registration Rights Agreement dated February 10, 2004 by and among Biophan Technologies, Inc., Biomed Solutions, LLC and SBI Brightline Consulting, LLC	Incorporated by reference to Exhibit 4.9 to Biophan's Registration Statement on Form SB-2 (File No. 333-112678) the 2004 Registration").
10.1	Payment Agreement dated June 3, 2004 between Biophan and TE Bio LLC	Incorporated by reference to Exhibit 99.1 to Form 8-K dated June 3, 2004.
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 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification of C.F.O. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith

(b) Reports on Form 8-K

The Company filed a Form 8-K dated May 14, 2004, reporting under Item 9,

Regulation FD Disclosure, that the Company had agreed to acquire a 51% ownership interest in TE Bio LLC and to perform certain services for TE Bio. The purchase agreement provides for the Company to invest $300,000 per year for three years.

The Company also filed a Form 8-K dated May 18, 2004, reporting under Item 9, Regulation FD Disclosure, that the Company held an Investor Conference Call hosted by CEO Michael Weiner. A transcript of the call was attached as an Exhibit.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIOPHAN TECHNOLOGIES,INC.
(Registrant)

Date: July 15, 2004

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