HEPALIFE TECHNOLOGIES INC
Form 10QSB
November 14, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

Mark One)

__X__ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended September 30, 2003

____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

HEPALIFE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Florida	**000-29819**	**58-2349413**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S Employer Identification No.)

1628 West 1st Avenue, Suite 216, Vancouver, British Columbia, V6J 1G1

(Address of principal executive offices)

(800) 518-4879

(Registrant s telephone number, including area code)

Check whether the issuer: (1) has filed all reports required 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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No

State the number of shares outstanding of each of the Issuer s classes of common equity as of the latest practicable date: as of November 3, 2003, there were 56,710,832 shares of the Issuer s Common Stock, $0.001 par value per share outstanding.

Transitional Small Business Disclosure Format (Check One): Yes [ ] No [X]

HEPALIFE TECHNOLOGIES, INC.

FORM 10-QSB, QUARTER ENDED SEPTEMBER 30, 2003

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

The accompanying unaudited financial statements of HepaLife Technologies, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Rule 10-01 of Regulation S-X. All adjustments, which, in the opinion of management, are necessary for a fair presentation of the financial condition and results of operations, have been included. Operating results for the period ended September 30, 2003 and are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

HEPALIFE TECHNOLOGIES, INC.

(A Development Stage Company)

INTERIM BALANCE SHEET

SEPTEMBER 30, 2003 (Unaudited)

ASSETS	
Current Assets	
Cash	$73,946
Stock subscription receivable	4,750
Total Current Assets	78,696
Fixed assets, net	-
Total Assets	$78,696
LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
Current Liabilities	
Accounts Payable and Accrued Liabilities (related party: $27,000)	$34,839
Notes Payable Related Party (Note 4)	650,000
Total Current Liabilities	684,839
Stockholders' Deficiency	
Preferred Stock: $0.10 Par Value; Authorized Shares, 1,000,000 shares; Issued and Outstanding, None	None
Common Stock: $0.001 Par Value; Authorized Shares, 300,000,000; Issued and Outstanding, 56,650,832	56,651
Additional Paid In Capital	1,193,699
Deficit Accumulated During the Development Stage	(1,856,493)
Total Stockholders' Deficiency	(606,143)
Total Liabilities and Stockholders Deficiency	$ 78,696

See condensed notes to financial statements.

HEPALIFE TECHNOLOGIES, INC.

(A Development Stage Company)

INTERIM STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002,

AND FROM INCEPTION (OCTOBER 21, 1997) TO SEPTEMBER 30, 2003

(Unaudited)

	For The Three Months Ended Sept. 30, 2003	For The Three Months Ended Sept. 30, 2002	For The Nine Months Ended Sept. 30, 2003	For The Nine Months Ended Sept. 30, 2002	Cumulative From Inception
Revenues	$-	$-	$-	$-	$-
Selling, General and Administrative Expenses					
General and Administrative	335,941	123,458	599,982	136,663	997,384
Management fees related party	9,000	36,000	27,000	108,000	777,000
Research and development expense (Note 5)	20,700	-	20,700	-	112,200
Total selling, general and administrative expenses	365,641	159,458	647,682	244,663	1,886,584
Other Income					
Interest Income	393	515	624	1,567	30,091
Provision for income taxes	-	-	-	-	-

Net loss available to common stockholders	$(365,248)	$(158,943)	$(647,058)	$(243,096)	$(1,856,493)
Basic loss per common share	$(0.006)	$(0.003)	$(0.011)	$(0.005)	$(0.046)
Basic weighted average common shares outstanding	56,619,446	54,063,002	56,615,392	51,967,947	40,607,331

See condensed notes to financial statements.

HEPALIFE TECHNOLOGIES, INC.

(A Development Stage Company)

INTERIM STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002, AND

FOR THE PERIOD FROM INCEPTION (OCTOBER 21, 1997) TO SEPTEMBER 30, 2003

(Unaudited)

	For The Nine Months Ended Sept. 30, 2003	For The Nine Months Ended Sept. 30, 2002	Cumulative From Inception
Cash Flows From Operating Activities			
Net Loss	$(647,058)	$(243,096)	$ (1,856,493)
Depreciation	583	865	3,470
Common Stock Issued For Services	-	120,100	523,100
Conversion of Debt to Equity	-	108,000	338,000
Adjustments to Reconcile Net Loss to Net Cash Used			

By Operating Activities			
Changes in Assets and Liabilities			
(Increase) Decrease in Stock Subscription Receivable	(4,750)	-	(4,750)
Increase (Decrease) in Accounts Payable (related party $27,000)	32,319	(206)	34,839
Total Adjustments	28,152	228,759	894,659
Net Cash Flows Used In Operating Activities	(618,906)	(14,337)	(961,834)
Cash Flows From Investing Activities			
Purchase of Property and Equipment	-	-	(3,470)
Net Cash Flows Used in Investing Activities	-	-	(3,470)
Cash Flows From Financing Activities			
Proceed From Issuance of Common Stock	-	-	375,000
Proceeds From the Exercise of Stock Options	14,250	-	14,250
Proceed From Promissory Notes Related Party	650,000	-	650,000
Net Cash Flows Provided By Financing Activities	664,250	-	1,039,250
Increase (Decrease) in Cash and Cash Equivalents	45,344	(14,337)	73,946
Cash and Cash Equivalents, Beginning of Period	28,602	136,731	-
Cash and Cash Equivalents, End of Period	$73,946	$122,394	$73,946
Supplemental Information			
Cash Paid For:			
Interest	$-	$-	$-
Income Taxes	$-	$-	$-
Noncash Investing and Financing Activities:			
Conversion of debt to equity	$-	$108,000	$338,000
Common Stock Issued For Services	$-	120,100	$523,100

See condensed notes to financial statements.

HEPALIFE TECHNOLOGIES, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited financial statements of HepaLife Technologies, Inc. (referred to herein as the Company , unless the context indicates otherwise) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made.

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. The results of operations for the nine-month period ended September 30, 2003 are not necessarily indicative of the operating results that may be expected for the entire year ending December 31, 2003. These financial statements should be read in conjunction with the Management's Discussion and Analysis or Plan of Operation section for this quarterly period, and the financial statements and notes thereto included in the Company's financial statements as of and for the year ended December 31, 2002, filed with the Company's Annual Report on Form 10-KSB.

NOTE 2. EARNINGS (LOSS) PER SHARE

Basic earnings or loss per share is based on the weighted average number of common shares outstanding. Diluted earnings or loss per share is based on the weighted average number of common shares outstanding and dilutive common stock equivalents. The computation of earnings (loss) per share is net loss available to common stockholders (numerator) divided by the weighted average number of common shares outstanding (denominator) during the periods presented. All earnings or loss per share amounts in the financial statements are basic earnings or loss per share, as defined by SFAS No. 128, Earnings Per Share. Diluted earnings or loss per share does not differ materially from basic earnings or loss per share for all periods presented. Convertible securities that could potentially dilute basic earnings or loss per share in the future are not included in the computation of diluted earnings or loss per share because to do so would be antidilutive. All share and per share information are adjusted retroactively to reflect stock splits and changes in par value, when applicable.

The computation of basic and diluted loss per share is as follows:

	Three months ended Sept. 30, 2003	Three months ended Sept. 30, 2002	Nine months ended Sept. 30, 2003	Nine months ended Sept. 30, 2002	Cumulative From Inception
Numerator-net loss available to common stockholders	$(365,248)	$(158,943)	$(647,058)	$(243,096)	$(1,856,493)
Denominator-weighted average number of common shares outstanding	56,619,446	54,063,002	56,615,392	51,967,947	40,607,331
Basic and diluted loss per common share	$(0.006)	$(0.003)	$(0.011)	$(0.005)	$(0.046)

NOTE 3 GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern. The Company is a development stage company and is devoting substantially all of its present efforts in establishing a new business. The Company has limited operations and has not yet relied on revenues for funding. The Company s working capital funds have been satisfied through its cash reserves, which were obtained through the issuance of common stock during 1997 and 1999. During the second and third quarter of 2003, the Company received $300,000 and $350,000, respectively, in proceeds from an unsecured note payable pursuant to a funding commitment of up to $750,000 from its secretary, treasurer and majority stockholder (see Note 4). The funds will be used to fund future cash requirements as needed. The Company anticipates the availability of such funding to be sufficient to meet its cash needs for at least the next twelve months. It is the Company s belief unmet cash requirements beyond the available funding commitment will further be contributed by the Company s secretary, treasurer and majority shareholder, however, there can also be no assurances to that effect. The Company s ability to meet further future funding requirements and the success of future operations cannot be determined at this time. These conditions raise substantial doubt about the Company s ability to continue as a going concern.

The Company s current business includes a Cooperative Research and Development Agreement entered into with the United States Department of Agriculture s Agricultural Research Service to fund the research and development involving optimizing the function of a patented cell line and applying this technology to the development of extra

corporeal liver assist device. It is the Company s belief that it will continue to incur losses for at least the next 12 months and may potentially need to obtain additional funding to meet its research and development commitments and to satisfy its operating expenses. The Company s financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

NOTE 4 - RELATED PARTY TRANSACTIONS

Management fees During the nine months ended September 30, 2003 and 2002, the Company charged $27,000 and $108,000, respectively, to operations for management and consulting fees incurred for services rendered by Mr. Harmel S. Rayat, the secretary, treasurer and majority stockholder. As of September 30, 2003, the Company owed $27,000 for outstanding management fees, which is included in accounts payable and accrued liabilities. There is no management or consulting agreement in effect nor is there an agreement in place to convert debt to equity, which is done at the discretion of Mr. Rayat and upon approval by the board of directors.

Notes Payable At a Board of Directors meeting held on May 28th, 2003, the Company s Board of Directors agreed to accept a loan of up to $750,000 from Harmel S. Rayat, the secretary, treasurer and majority stockholder of HepaLife Technologies, Inc. Proceeds from the loan, which will be drawn down on a as needed basis , will be used to fund the Company s research and development commitments, legal and audit fees, investor and public relations costs and other ongoing working capital requirements. On May 29th, 2003, the Company drew down $300,000 from the loan commitment provided by Harmel S. Rayat and issued an unsecured promissory note, which is due on May 29th, 2004, and bears an interest rate of 7.25% per annum. On August 27th, 2003, the Company drew down an additional $350,000 from the loan commitment and issued an unsecured promissory note, which is due on August 28th, 2004, and bears an interest rate of 7.00% per annum.

Properties The Company's office is located at Suite 216, 1628 West 1st Avenue, Vancouver, BC, V6J 1G1. These premises are owned by the wife and father of the Company's secretary, treasurer and majority stockholder. At present, the Company pays no rent. The fair value of the rent has not been included in the financial statements because the amount is immaterial.

NOTE 5 - COOPERATIVE AGREEMENT

On November 1st, 2002, the Company entered into a Cooperative Research and Development Agreement (the agreement) with the United States Department of Agriculture s (USDA) Agricultural Research Service (ARS), and committed a total payment of $292,727 to ARS over two year period, as listed below:

(1) $91,500 within 30 days of signing the Agreement;

(2) $20,700 on or before 8/19/03;

(3) $20,700 on or before 11/19/03;

(4) $20,700 on or before 2/19/04;

(5) $91,500 on or before 5/19/04;

(6) $15,875 on or before 8/19/04;

(7) $15,876 on or before 11/19/04; and

(8) $15,876 on or before 2/19/05

The agreement is for the purpose of funding salaries, equipment, travel and other indirect costs of a post-doctoral research associate. The terms of the agreement require the interaction of the Company with ARS personnel on the technical details involved with pig liver cell culture development, providing the necessary funds for the purpose above, preparing and filing any patent applications, and reviewing reports and implementing procedures for the development of an artificial liver device utilizing the pig liver cell line. ARS s responsibilities include hiring the post-doctoral research associate for a two-year period, providing laboratory and office space for the research associate, providing experimental animals (pigs) and slaughter facilities, conducting the research, preparing progress reports on project objectives, and preparing and submitting technical reports for publication.

All rights, title, and interest in any subject invention made solely by ARS employees are owned by ARS, solely by the Company are owned by the Company, and owned jointly between the Company and ARS if made jointly by ARS and the Company. The Company is granted an option to negotiate an exclusive license in each subject invention owned or co-owned by ARS for one or more field (s) of use encompassed by the agreement. Option terminates when the Company fails to (1) submit a complete application for an exclusive license within sixty days of being notified by ARS of an Inventions availability for licensing or (2) submit a good faith written response to a written proposal of licensing terms within forty five days of such proposal.

The agreement, or parts thereof, is subject to termination at any time by mutual consent. Either party may unilaterally terminate the entire agreement at any time by giving the other party written notice not less than sixty calendar days prior to the desired termination date.

ITEM 2. Management s discussion and analysis of financial condition and results of operations

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

Except for the historical information presented in this document, the matters discussed in this Form 10-QSB for the three month and nine month periods ending September 30, 2003, and specifically in the items entitled "Management s discussion and analysis of financial condition and results of operations", or otherwise incorporated by reference into this document, contain "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are identified by the use of forward-looking terminology such as "believes", "plans", "intend", "scheduled", "potential", "continue", "estimates", "hopes", "goal", "objective", expects", "may", "will", "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, apply to forward-looking statements made by the Company. The reader is cautioned that no statements contained in this Form 10-QSB should be construed as a guarantee or assurance of future performance or results. These forward-looking statements involve risks and uncertainties, including those identified within this Form 10-QSB. The actual results that the Company achieves may differ materially from any forward-looking statements due to such risks and uncertainties. These forward-looking statements are based on current expectations, and the Company assumes no obligation to update this information. Readers are urged to carefully review and consider the various disclosures made by the Company in this Form 10-QSB and in the Company's other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect the Company's business.

Overview

HepaLife Technologies, Inc. (www.hepalife.com) is a development stage biotechnology company focused on the research, development and eventual commercialization of technologies and products to treat various forms of liver dysfunction and disease.

Presently, through a Cooperative Research and Development Agreement (CRADA) with the USDA s Agricultural Research Service (ARS), the primary tool linking government and industry researchers, the Company is working towards optimizing the hepatic functionality of a patented cell line (PICM-19), whose hepatic characteristics have been demonstrated to have potential application in the production of a patented artificial liver device for use by human patients with liver failure.

The CRADA program, authorized under the Federal Technology Transfer Act of 1986, allows federal laboratories and businesses to form commercial partnerships that help move new technologies into the marketplace. Under a CRADA, ARS scientists work with private firms to help commercialize the technologies developed. A CRADA allows the collaborating company the first right to negotiate an exclusive license to any inventions that emerge under the agreement.

Liver Disease

According to the American Liver Foundation, 1 in every 11, or approximately 25 million Americans are afflicted with liver disease. During 2000 alone, 26,552 people died in the United States as a consequence of cirrhosis and chronic liver disease (National Vital Statistics Report, September 16, 2002).

In purely economic terms, liver-related problems cost society over $10 billion per year. In human terms, the costs cannot be calculated.

With over 500 documented functions, the liver is one of the most important and complex organs in the human body, primarily responsible for removing toxins and poisons from the bloodstream. Everything we eat, drink and even smell impacts the liver.

Each year, hundreds of thousands of individuals worldwide experience acute or chronic liver failure caused by hepatitis and other infections, degenerative diseases, trauma, drug overdoses and alcohol abuse. The last of these, alcohol abuse, is a major cause of liver disease in America today.

Alcohol Abuse

Of the nearly 14 million Americans (1 in every 20) that either abuse alcohol or are alcoholics (National Institute on Alcohol Abuse and Alcoholism), 10 to 20 percent will develop cirrhosis of the liver, one of the leading causes of death among young and middle-age adults in the US. Individuals with cirrhosis are particularly prone to developing fatal bacterial infections, kidney malfunctions, stomach ulcers, gallstones and cancer of the liver.

Chronic alcohol consumption may also increase the adverse side effects to the liver of medications used in the treatment of other conditions.

Drug Overdoses

Everyday pain relievers such as Bayer, Tylenol and Excedrin and other medications such as Neo-Citran and Sinutab, which contain acetaminophen, can also lead to serious liver problems. A study led by Dr. William Lee of the University of Texas, which was reported in the December 17, 2002, issue of Annals of Internal Medicine, concluded that acetaminophen overdose and drug reactions have replaced viral hepatitis as the most frequent apparent cause of acute liver failure.

According to the National Hospital Ambulatory Medical Care Survey (April 22, 2002), there were 108 million patient visits to emergency rooms during 2000, with medications being used in 74% of all these visits. An average of 1.6 drugs were used per emergency department visit, with pain relief medications containing acetaminophen being the most frequently administered class of drug.

One of the functions of the liver is the detoxification of drugs and poisons. When experienced in large amounts, often the case in hospital emergency wards, or in combination with alcohol, drugs or poisons, the toxic overload can destroy the liver quickly. Each year, tens of thousands of individuals die due to acute liver failure as a result of drug overloads in emergency rooms worldwide.

Hepatitis

According to the Centers for Disease Control, between 15-25% (upwards of 312,500 Americans) of the estimated 1.25 million chronically infected hepatitis B sufferers will die from chronic liver disease. Globally, an estimated 300 million people are infected with hepatitis B, causing approximately 1,000,000 deaths per year.

Various studies, when combined together, suggest that over 200 million people around the world are infected with hepatitis C. Statistically, as many people are infected with hepatitis C as are with HIV, the virus that causes AIDS. Without large scale efforts to contain the spread of hepatitis C and treat infected populations, the death rate from hepatitis C will surpass that of AIDS by the turn of the century.

Of the estimated 4.5 million Americans infected with hepatitis C, for which there is no cure, an estimated 70-80% will develop chronic liver disease and 20% will die. The annual health care costs for the affected U.S. population with chronic hepatitis C has been estimated to be as high as $9 billion, compared to annual cost of $360 million for hepatitis B sufferers.

In addition to alcohol abuse, drug overdoses and hepatitis, other causes of liver disease include primary biliary cirrhosis, hemochromatosis, Wilson s disease, alpha1-antitrypsin deficiency, glycogen storage disease, autoimmune hepatitis, cardiac cirrhosis and schistosomiasis. In total, according to the American Liver Foundation, approximately 25 million Americans are afflicted with liver disease.

Liver Transplants

For people with severe liver failure, orthotopic liver transplantation is the only effective treatment therapy, now an estimated $1.5 billion business. At present, there are upwards of 17,000 adults and children medically approved and

waiting for liver transplants in the U.S., which, at approximately $300,000 per transplant, would increase the potential size of the liver transplant market to over $5 billion if enough donor organs were available.

Unfortunately, there are just over 5,000 livers available for transplant annually. Due to a severe shortage of organ donors, the waiting time for potential liver recipients could be as long as two to three years, with 20-30% of these patients not surviving the wait period.

For those who receive liver transplants, some 31% will die within 5 years, while the rest will endure a life time of immunosuppressive drugs, rendering them susceptible to life threatening infections such as kidney failure and increased risk of cancer, and follow up costs of $25,000 per year to the health care system.

Sadly, patients suffering from advanced liver failure who are either not whole organ transplant candidates or who cannot find an available organ in a timely fashion have limited prospects for survival.

The need for an artificial liver device able to remove toxins and improve immediate and long-term survival results for patients suffering from liver disease is more critical today than ever before.

Limited treatment options, a low number of donor organs, the high price of transplants and follow up costs, a growing base of hepatitis, alcohol abuse, drug overdoses and other factors that result in liver disease, all clearly indicate that a strong need exists for an artificial liver device, now and into the foreseeable future.

Research Objectives

The overall objective of our research work is to optimize the culture conditions for the PICM-19 liver stem cell line so that the cells grow faster, reach higher densities, and have good function of key liver metabolic and detoxification enzyme systems. Concurrent with these cell biology efforts, bioengineering investigations on the cell culture hardware of the artificial liver device are ongoing.

Other specific research objectives are:

- Develop cell culture system allowing the growth and differentiation of PICM-19 cells without STO feeder cell support.

- Develop serum-free, defined or semi-defined medium cell culture system for growth and differentiation of PICM-19 cells.

- Develop spheroid cultures of PICM-19 cells and test of rotating cell culture system (RCCS) for production and maintenance of spheroids.

- Assay PICM-19 monolayer cultures and spheroid cultures for liver specific functions; inducible P450 activity and content, -glutamyltranspeptidase activity, urea production, and ammonia clearance.

- Assay PICM-19 liver specific protein synthesis and secretion by electrophoretic and immunochemical techniques.

- Assay liver specific markers in PICM-19 by immunocytochemistry.

- Document PICM-19 hepatocyte morphology by light and electron microscopy.

Ideally, further characterization and improvements required in the culture technology will result in the cell line not requiring feeder cell support and growth in a completely serum-free defined medium. These advancements would facilitate the objective of adapting and applying the optimized PICM-19 cell line technology to the development of an artificial liver device.

Ongoing research and development work is being conducted at two laboratories, the Growth Biology Laboratory and the Biotechnology and Germplasm Laboratory, both located in Beltsville, Maryland.

Critical Accounting Policies.

Our discussion and analysis or plan of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to income taxes and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies reflect its more significant estimates and assumptions used in the preparation of its financial statements.

Income Taxes

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered future market growth, forecasted earnings, future taxable income, and prudent and feasible tax planning strategies in determining the need for a valuation allowance. We currently have recorded a full valuation allowance against net deferred tax assets as we currently believe it is more likely than not that the deferred tax assets will not be realized.

Contingencies

We may be subject to certain asserted and unasserted claims encountered in the normal course of business. It is our belief that the resolution of these matters will not have a material adverse effect on our financial position or results of operations, however, we cannot provide assurance that damages that result in a material adverse effect on our financial position or results of operations will not be imposed in these matters. We account for contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Liquidity and Capital Resources

As of September 30, 2003, we had a cash balance of $73,946, compared to $28,602 at December 31, 2002. The increase in cash balance of $45,344 since the beginning of 2003 is due to receipts from proceeds from the sale of common stock and the exercise of stock options, and proceeds from funds received under promissory notes from the secretary, treasurer and majority shareholder of the Company.

We anticipate we will need additional funding during the next twelve months to satisfy our ongoing operating expenses and commitments under our research and development contract with the USDA. The Company s plans to satisfy its cash requirements are discussed below in Plan of Operations.

Plan of Operations

Our principal source of liquidity is cash in bank, which we anticipate will not be sufficient to fund our operating and research requirements as currently planned for the next twelve months. To meet our research and operating needs for the next twelve months, we plan to seek additional funding through collaborative arrangements, by borrowing money or by selling additional equity securities. We also anticipate that our major shareholder will contribute sufficient funds to satisfy the cash needs of the Company for the next twelve months, however, there can be no assurances to that effect.

If adequate funds are not available or not available on acceptable terms, we may be unable to fund further research and operating plans, required to scale back or abandon our research and product development activities, reduce our workforce, and license to others products or technologies we would otherwise seek to commercialize ourselves, all of which could have a material adverse effect on our business, results of operations and financial condition.

On November 1st, 2002, we entered into a Cooperative Research and Development Agreement with the United States Department of Agriculture s Agricultural Research Service (ARS), which called for a total payment of $292,727 to ARS over two year period, as listed below:

(1)$91,500 within 30 days of signing the Agreement (paid during 2002);

(2)$20,700 on or before 8/19/03;

(3)$20,700 on or before 11/19/03;

(4)$20,700 on or before 2/19/04;

(5)$91,500 on or before 5/19/04;

(6)$15,875 on or before 8/19/04;

(7)$15,876 on or before 11/19/04; and

(8)$15,876 on or before 2/19/05

The agreement is for the purpose of funding salaries, equipment, travel and other indirect costs of a post-doctoral research associate. The terms of the agreement require the interaction of the Company with ARS personnel on the technical details involved with pig liver cell culture development, providing the necessary funds for the purpose above, preparing and filing any patent applications, and reviewing reports and implementing procedures for the development of an artificial liver device utilizing the pig liver cell line. ARS s responsibilities include hiring the post-doctoral research associate for a two-year period, providing laboratory and office space for the research associate, providing experimental animals (pigs) and slaughter facilities, conducting the research, preparing progress reports on project objectives, and preparing and submitting technical reports for publication.

All rights, title, and interest in any subject invention made solely by ARS employees are owned by ARS, solely by the Company are owned by the Company, and owned jointly between the Company and ARS if made jointly by ARS and the Company. The Company is granted an option to negotiate an exclusive license in each subject invention owned or co-owned by ARS for one or more field (s) of use encompassed by the agreement. Option terminates when the Company fails to (1) submit a complete application for an exclusive license within sixty days of being notified by ARS of an Inventions availability for licensing or (2) submit a good faith written response to a written proposal of licensing terms within forty five days of such proposal.

The agreement, or parts thereof, is subject to termination at any time by mutual consent. Either party may unilaterally terminate the entire agreement at any time by giving the other party written notice not less than sixty calendar days prior to the desired termination date.

Our future funding requirements will depend on numerous factors, including the success of the Company's research and development activities and that the anticipated products and technologies will be commercially viable or successfully marketed. Due to the "start up" nature of our business, we expect to use, rather than generate, funds from operations for the foreseeable future, and as a result, we will need significant funding to pursue our research, development and commercialization plans. The actual amount of funds we will require will be determined by a number of factors, many of which are beyond our control. We expect that to be able to fund our cash requirements over the next twelve months under our funding arrangement with our secretary, treasurer and majority stockholder. However, additional funds required beyond those obtained will need to be raised under private or public equity investment in order to expand the range and scope of its business operations. We will seek access to private or public equity but there is no assurance that such additional funds will be available for the Company to finance its operations on acceptable terms, if at all.

The Company has no current plans for the purchase or sale of any plant or equipment, nor any current plans to make any significant changes in the number of employees.

Related Party Transactions

During the nine months ended September 30, 2003 and 2002, the Company charged $27,000 and $108,000, respectively, to operations for management and consulting fees incurred for services rendered by Mr. Harmel S. Rayat, the secretary, treasurer and majority stockholder. As of September 30, 2003, the Company owed $27,000 for outstanding management fees, which is included in accounts payable and accrued liabilities. There is no management or consulting agreement in effect nor is there an agreement in place to convert debt to equity, which is done at the discretion of Mr. Rayat and upon approval by the board of directors.

Notes Payable At a Board of Directors meeting held on May 28th, 2003, the Company s Board of Directors agreed to accept a loan of up to $750,000 from Harmel S. Rayat, the secretary, treasurer and majority stockholder of HepaLife Technologies, Inc. Proceeds from the loan, which will be drawn down on a as needed basis , will be used to fund the Company s research and development commitments, legal and audit fees, investor and public relations costs and other ongoing working capital requirements. On May 29th, 2003, the Company drew down $300,000 from the loan commitment provided by Harmel S. Rayat and issued an unsecured promissory note, which is due on May 29th, 2004, and bears an interest rate of 7.25% per annum. On August 27th, 2003, the Company drew down an additional $350,000 from the loan commitment and issued an unsecured promissory note, which is due on August 28th, 2004, and bears an interest rate of 7.00% per annum.

Properties The Company's office is located at Suite 216, 1628 West 1st Avenue, Vancouver, BC, V6J 1G1. These premises are owned by the wife and father of the Company's secretary, treasurer and majority stockholder. At present, the Company pays no rent. The fair value of the rent has not been included in the financial statements because the amount is immaterial.

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. Management does not anticipate that FIN 46 will have any effect on the on the Company.

In April 2003, the FASB issued SFAS No. 149, "Accounting for Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement is generally effective for 45 contracts entered into or modified after June 30, 2003, and all provisions should be applied prospectively. This statement does not affect the Company.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Restatement is not permitted. This statement does not affect the Company.

Risk Factors

We have sought to identify what we believe to be the most significant risks to our business. However, we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all

possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our Common Stock. We provide the following cautionary discussion of risks, uncertainties and possible inaccurate assumptions relevant to our business. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed here could adversely affect us.

We are vulnerable to volatile market conditions.

The market prices for securities of developmental stage biotechnology companies, including ours, are highly volatile and, from time to time, experience significant price and volume fluctuations that are unrelated to the operating performance of particular companies. In addition, future announcements, such as the results of our research, testing and clinical trials, the status of our relationships with third-party collaborators, technological innovations or new products, services or drugs, governmental regulation, developments in patent or other proprietary rights, litigation or public concern as to the safety of products developed by us or others and general market conditions, concerning us, our competitors or other companies, may have a significant effect on the market price of our common stock.

We face intense competition.

We face intense competition from a wide range of pharmaceutical, biopharmaceutical, biotechnology and medical device companies, as well as academic and research institutions and government agencies. Our competitors include organizations that are pursuing the same or similar technologies as us and organizations that are pursuing products that are competitive with our potential product. To the extent that these technologies or products address the problems associated with liver disease on which we have focused, they may represent significant competition.

Many of the organizations competing against us have financial and other resources substantially greater than our own. In addition, many of our competitors have significantly greater experience in research and development, obtaining FDA and other regulatory approvals, and commercializing and selling products for use in health care. Accordingly, our competitors may succeed more rapidly than we will in completing clinical trials, obtaining various regulatory approvals or achieving market penetration for products. Some of these products may have an entirely different approach or means of accomplishing the desired therapeutic effect than our products and may be more effective and less costly. If we commence significant commercial sales of our products, we will also be competing with respect to manufacturing efficiency and marketing capabilities, areas in which we have limited or no experience.

We will continue to incur operating losses.

Our business operations began in 1997 and we have a limited operating history. We may encounter delays, uncertainties and complications typically encountered by development stage biotechnology businesses. We have

generated no revenues, are not profitable and have incurred an accumulated deficit of $1,856,493 since our inception. The Company's current ability to generate revenues and to achieve profitability and positive cash flow will depend on the successful commercialization of our products currently under development. However, even if we eventually generate revenues from sales of our products currently under development, we expect to incur significant operating losses over the next several years. Our ability to become profitable will depend, among other things, on our (1) successful research outcomes and eventual development of our proposed products, (2) obtaining of regulatory approvals of our proposed products on a timely basis and (3) success in joint venture partnerships, manufacturing, distributing and marketing our proposed products.

<u>We may not obtain additional financing.</u>

We anticipate that our existing funds will be sufficient to fund our operating and research requirements as currently planned into the first quarter of 2004. We expect to use, rather than generate, funds from operations for the foreseeable future, and as a result, we will need significant funding to pursue our research, development and commercialization plans. The actual amount of funds we will require will be determined by a number of factors, many of which are beyond our control.

If we cannot raise more funds, we could be required to scale back or abandon our research and product development activities, reduce our workforce and license to others products or technologies we would otherwise seek to commercialize ourselves. Our products under development will require significant time-consuming and costly research and development, clinical testing, regulatory approval and significant additional investment prior to their commercialization. There can be no assurance that (1) the research and development activities we conduct will be successful, (2) current or future products or technologies under development will prove to be safe and effective, (3) any of the clinical development work will be completed, or (4) the anticipated products or technologies will be commercially viable or successfully marketed. Commercial sales of our products cannot begin until we receive final FDA approval.

We will seek additional funding through collaborative arrangements, by borrowing money or by selling additional equity securities. Any sales of additional equity securities are likely to result in further dilution to our then existing stockholders. Further, if we issue additional equity securities, the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. We may also borrow money from conventional lenders, possibly at high interest rates and on other terms that are unfavorable to us, which will increase the risk of your holdings. Despite our efforts, additional funding may not be available to us at all or only on terms that are unacceptable to us. We also could be required to seek funds through arrangements with collaborative partners or others that may require us to relinquish rights to our technologies, product candidates or products which we would otherwise pursue on our own

<u>We may not be able to protect our intellectual property.</u>

The Company relies on a combination of copyright law, trade secret protection, confidentiality agreements and other contractual arrangements with employees, vendors and others to protect its rights to intellectual property. These measures, however, may be inadequate to deter misappropriation of proprietary information. Failure to adequately protect its intellectual property could harm the Company, devalue its proprietary content and affect the Company's ability to compete effectively.

We may lose important research and invention licenses.

We are a party to a Cooperative Research and Development Agreement with the United States Department of Agriculture s Agricultural Research Service which grants the Company an option to negotiate an exclusive license to any invention or other intellectual property conceived or reduced to practice under the Agreement which is patentable or otherwise protectable under Title 35 of the United States Code or under the patent laws of a foreign country. There can be no assurance that such a license will be granted to us or that we can obtain a license on terms favorable to us. If we do not obtain an exclusive license, our ability to generate revenue would be adversely affected.

We expect to enter into additional research agreements and licenses in the future that relate to important technologies that may be necessary for the development and commercialization of related and unrelated products. These agreements and licenses may impose various commercialization, indemnification, royalty, insurance and other obligations on us, which, if we fail to comply may result in the termination of these agreements and licenses or make the agreements and licenses non-exclusive, which could affect our ability to exploit important technologies that are required for successful development of our products.

We may not be able to obtain patent protection and may infringe upon the property rights of others.

Our success depends in significant part on our ability to obtain important research and invention licenses, obtain patents, protect trade secrets, operate without infringing upon the proprietary rights of others and prevent others from infringing on our proprietary rights.

If we do obtain patents, the claims allowed may not be sufficiently broad to protect our technology. In addition, issued patents that we own or license may be challenged, invalidated or circumvented. Our patents also may not afford us protection against competitors with similar technology. Because patent applications in the United States are maintained in secrecy until patents issue, third parties may have filed or maintained patent applications for technology used by us or covered by our pending patent applications without our being aware of these applications.

We may not hold proprietary rights to all of the patents related to our proposed products or services. These patents may be owned or controlled by third parties. As a result, we or our collaborative partners may be required to obtain licenses under third-party patents to market our proposed products or services. If licenses are not available on

acceptable terms, we or our collaborative partners will not be able to market these products or services.

You may lack an effective vote on corporate matters due to control by management.

You may lack an effective vote on corporate matters and management may be able to act contrary to your objectives. As of October 28th, 2003, our officers and board members own 45,303,332 of the 56,710,832 outstanding common stock, not including stock options and warrants. If management votes together, it could influence the outcome of corporate actions requiring shareholder approval, including the election of directors, mergers and asset sales. As a result, new stockholders may lack an effective vote with respect to the election of directors and other corporate matters. Therefore, it is possible that management may take actions with respect to its ownership interest, which may not be consistent with your objectives or desires.

We may experience significant fluctuations in quarterly results.

Significant variations in our quarterly operating results may adversely affect the market price of our common stock. Our operating results have varied on a quarterly basis during our limited operating history, and we expect to experience significant fluctuations in future quarterly operating results. These fluctuations have been and may in the future be caused by numerous factors, many of which are outside of our control. We believe that period-to-period comparisons of our results of operations will not necessarily be meaningful and that you should not rely upon them as an indication of future performance. Also, it is likely that our operating results could be below the expectations of public market analysts and investors. This could adversely affect the market price of our common stock.

We depend on our key executive officers and technical personnel.

The success of our business plan depends on attracting qualified technical, scientific and other knowledgeable personnel, and failure to retain the necessary personnel could adversely affect our business. Competition for qualified personnel is intense, and we may need to pay premium wages to attract and retain personnel. Attracting and retaining qualified personnel is critical to our business. Inability to attract and retain the qualified personnel necessary would limit our ability to implement our business plan successfully.

We may not have a majority of independent directors.

We cannot guarantee our Board of Directors will have a majority of independent directors in the future. In the absence of a majority of independent directors, our executive officers, who are also principal stockholders and directors, could establish policies and enter into transactions without independent review and approval thereof. This could present the

potential for a conflict of interest between the Company and its stockholders generally and the controlling officers, stockholders or directors.

Our Articles and By-Laws indemnify our officers and directors.

Our officers and directors are required to exercise good faith and high integrity in our management affairs. Our Articles of Incorporation and By Laws provide, however, that our officers and directors shall have no liability to our shareholders for losses sustained or liabilities incurred which arise from any transaction in their respective managerial capacities unless they violated their duty of loyalty, did not act in good faith, engaged in intentional misconduct or knowingly violated the law, approved an improper dividend or stock repurchase, or derived an improper benefit from the transaction. Our Articles and By-Laws also provide for the indemnification by us of the officers and directors against any losses or liabilities they may incur as a result of the manner in which they operate our business or conduct the internal affairs, provided that in connection with these activities they act in good faith and in a manner they reasonably believe to be in, or not opposed to, the best interests of the Company, and their conduct does not constitute gross negligence, misconduct or breach of fiduciary obligations.

Large sales of common stock could adversely affect our common stock and our ability to raise capital.

Future sales of our common stock by existing stockholders pursuant to Rule 144 under the Securities Act, or following the exercise of outstanding options and warrants, could adversely affect the market price of our common stock. Substantially all of the outstanding shares of our common stock are freely tradable, without restriction or registration under the Securities Act, other than the sales volume restrictions of Rule 144 applicable to shares held beneficially by persons who may be deemed to be affiliates. Our directors and executive officers and their family members are not under lockup letters or other forms of restriction on the sale of their common stock. The issuance of any or all of these additional shares upon exercise of options or warrants or conversion of preferred stock will dilute the voting power of our current stockholders on corporate matters and, as a result, may cause the market price of our common stock to decrease. Further, sales of a large number of shares of common stock in the public market could adversely affect the market price of the common stock and could materially impair our future ability to generate funds through sales of common stock or other equity securities.

We are considered a penny stock.

The Company's stock differs from many stocks, in that it is a "penny stock." The Securities and Exchange Commission has adopted a number of rules to regulate "penny stocks." These rules include, but are not limited to, Rules 3a5l-l, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6 and 15g-7 under the Securities and Exchange Act of 1934, as amended.

Because our securities probably constitute "penny stock" within the meaning of the rules, the rules would apply to us and our securities. The rules may further affect the ability of owners of our stock to sell their securities in any market that may develop for them. There may be a limited market for penny stocks, due to the regulatory burdens on broker-dealers. The market among dealers may not be active. Investors in penny stock often are unable to sell stock back to the dealer that sold them the stock. The mark-ups or commissions charged by the broker-dealers may be greater than any profit a seller may make. Because of large dealer spreads, investors may be unable to sell the stock immediately back to the dealer at the same price the dealer sold the stock to the investor. In some cases, the stock may fall quickly in value. Investors may be unable to reap any profit from any sale of the stock, if they can sell it at all.

Stockholders should be aware that, according to the Securities and Exchange Commission Release No. 34- 29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. These patterns include:

-

Control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;

-

Manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;

-

"Boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;

-

Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and

-

The wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

Furthermore, the "penny stock" designation may adversely affect the development of any public market for the Company's shares of common stock or, if such a market develops, its continuation. Broker-dealers are required to

personally determine whether an investment in "penny stock" is suitable for customers.

Penny stocks are securities (i) with a price of less than five dollars per share; (ii) that are not traded on a "recognized" national exchange; (iii) whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ-listed stocks must still meet requirement (i) above); or (iv) of an issuer with net tangible assets less than $2,000,000 (if the issuer has been in continuous operation for at least three years) or $5,000,000 (if in continuous operation for less than three years), or with average annual revenues of less than $6,000,000 for the last three years.

Section 15(g) of the Exchange Act, and Rule 15g-2 of the Commission require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Potential investors in the Company's common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be "penny stock."

Rule 15g-9 of the Commission requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for the Company's stockholders to resell their shares to third parties or to otherwise dispose of them.

We will be subject to approval by regulatory authorities and are subject to government regulation.

Some of our products will be subject to regulation in the United States by the Food and Drug Administration and by comparable regulatory authorities in foreign jurisdictions. The Company s artificial liver device will be classified as a "biologic" regulated under the Public Health Service Act and the Food, Drug and Cosmetic Act. Development of a therapeutic product for human use is a multi-step process. First, animal and in vitro testing must establish the potential safety and efficacy of the experimental product for a given disease. Once the product is found to be reasonably safe and potentially efficacious in animals, suggesting that human testing would be appropriate, an Investigational New Drug ("IND") application is submitted to the FDA. FDA approval, which may in some circumstances involve substantial delays, is necessary before commencing clinical investigations.

Clinical investigations typically involve three phases. Phase I is conducted to evaluate the safety of the experimental product in humans, and if possible to obtain early evidence of effectiveness. Phase I studies also evaluate various routes, dosages and schedules of product administration. The demonstration of therapeutic benefit is not required in order to complete Phase I successfully. If acceptable product safety is demonstrated, the Phase II studies are initiated, which are designed to evaluate the effectiveness of the product in the treatment of a given disease and typically, are well controlled and closely monitored studies in a relatively small number of patients. Phase II studies determine the optimal routes and schedules of administration.

If Phase II trials are successfully completed, Phase III studies will commence. Phase III studies are expanded controlled and uncontrolled trials which are intended to gather additional information about safety and efficacy in order to evaluate the overall risk and/ or benefit relationship of the experimental product and provide an adequate basis for physician labeling. These studies also may compare the safety and efficacy of the experimental device with currently available products. While it is not possible to estimate the amount of time or money that will be required to complete Phase I, II and III studies, this process often lasts several years.

Following the successful completion of these clinical investigations, the preclinical and clinical evidence that has been accumulated is submitted to the FDA as part of a product license application ("PLA"). Approval of the PLA or IND is necessary before a company may market the product. The approval process can be very lengthy and depends upon the time it takes to review the submitted data and the FDA s comments on the application, and the time required to provide satisfactory answers or additional clinical data when requested.

We must be compliant with environmental matters and regulations.

We are subject to regulation under state and federal law, including requirements regarding occupational safety, laboratory practices, the use, handling and disposition of radioactive materials, environmental protection and hazardous substance control, and may be subject to other present and possible future local, state, federal and foreign regulation, including future regulation of the biotechnology field. The Company believes it conducts its business in compliance with all environmental laws presently applicable to its facilities. To date, there have been no expenses incurred by the Company related to environmental issues.

ITEM 3. Controls and Procedures

a.

Evaluation of Disclosure Controls and Procedures:

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

b.

Changes in Internal Control over Financial Reporting:

There were no changes in the Company's internal control over financial reporting identified in connection with the Company evaluation of these controls as of the end of the period covered by this report that could have significantly affected those controls subsequent to the date of the evaluation referred to in the previous paragraph, including any correction action with regard to significant deficiencies and material weakness.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1*

Unsecured Promissory Note

31.1

Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)

31.2

Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)

32.1

Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2

Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Previously filed

(b) Reports on Form 8-K

July 7, 2003: On July 2, 2003, HepaLife Technologies, Inc. issued a news release announcing that it has initiated an ongoing investor relations program in order to enhance the Company s visibility in the investment community.

July 21, 2003: HepaLife Technologies, Inc. issued a news release announcing that through a Cooperative Research and Development Agreement (CRADA) with the USDA s Agricultural Research Service, the primary tool linking government and industry researchers, HepaLife Technologies, Inc. is collaborating towards optimizing the hepatic functions of a patented cell line, whose hepatic characteristics have been demonstrated to have potential application in the production of an artificial liver device for use by human patients with liver failure.

July 24, 2003: HepaLife Technologies, Inc. issued a news release announcing that it has engaged Thornhill Advisors, a full service, pro-active financial relations and corporate communications company, to serve as its investor and financial media relations counsel.

July 29, 2003: HepaLife Technologies, Inc. issued a news release announcing that, under a Cooperative Research and Development Agreement (CRADA) with the USDA s Agricultural Research Service (ARS), the primary tool linking government and industry researchers, HepaLife is collaborating towards optimizing the hepatic functions of the patented PICM-19 cell line. The patented application of the PICM-19 liver stem cells to an artificial liver device for support of human patients suffering liver failure is being tested.

August 4, 2003: HepaLife Technologies, Inc. issued a news release announcing that each year, hundreds of thousands of individuals worldwide experience acute or chronic liver failure caused by viral hepatitis, degenerative diseases, trauma, drug overdoses and alcohol abuse. The last of these, alcohol abuse, is a major cause of liver disease in America today.

August 28, 2003: HepaLife issued an 8-K announcing that:

1) At a Board of Directors meeting held on May 28th, 2003, the Company s Board of Directors agreed to accept a loan of up to $750,000 at a rate of prime plus 3% from Harmel S. Rayat, a Director and majority shareholder of HepaLife Technologies. Proceeds will from the loan, which is to be drawn down on a as needed basis, will be used to fund the Company s research and development commitments, legal and audit fees, investor and public relations costs and other ongoing working capital requirements;

2) On May 29th, 2003, the Company drew an initial $300,000 from the loan commitment and issued an unsecured promissory note due on May 29th, 2004 at an interest rate of 7.25%. On August 27, 2003, the Company agreed to borrow an additional $350,000 at a rate of 7.0% and issued an unsecured promissory note due on August 28th, 2004, and

3) At a board of directors meeting held on August 27th, 2003, the Company s Board of Directors agreed to enter into 10 year NonStatutory Stock Option Agreements with certain directors, employees and consultants for 3,000,000 out of the 29,925,000 common shares reserved for issuance under the Company s 2001 Stock Option Plan, which was approved by shareholders on July 12th, 2001, and registered under Form S-8 with the U.S. Securities and Exchange Commission on May 8th, 2003.

Out of the 3,000,000 options, 1,500,000 were established for Harmel S. Rayat and 250,000 for Jeet Sidhu, both directors of the Company. Of the remaining 1,250,000 options, 500,000 were established for Bhupinder Mann and 750,000 for Ranjit Bhogal.

The options have an exercise price of $2.11, the closing price of the Company s shares on August 27th, 2003, and become exercisable in two (2) equal installments of fifty percent (50%), with the first installment to be exercisable immediately and the balance becoming exercisable in 180 days.

September 3, 2003: HepaLife Technologies, Inc. issued a news release announcing the recent addition of Dr. Mark A. Saarinen, a bioengineer, who will lead ongoing research and development work on the patented application of the patented PICM-19 liver stem cell line to an artificial liver device for treatment of human patients with liver failure.

September 23, 2003: HepaLife Technologies, Inc. issued a news release announcing the appointment of Mr. Arian Soheili as Director and new CEO and President.

September 23, 2003: HepaLife issued an 8-K announcing that on September 22, 2003, Mr. Arian Soheili joined the Board of Directors and replaced Mr. Harmel S. Rayat as the Company s President and Chief Executive Officer and that Mr. Harvinder Dhaliwal resigned from the Board of Directors and as the Company s Secretary and Treasurer, a position accepted by Harmel S. Rayat, a current Director. Additionally, the Company announced that all remaining outstanding stock options held by Mr. Dhaliwal will be terminated immediately, with the exception of 12,500 options, which will terminate on September 30, 2003.

Signature Page

Pursuant to the requirements of section 13 or 15(d) 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.

HEPALIFE TECHNOLOGIES, INC.

/s/ Arian Soheili

Arian Soheili

CEO and President

/s/ Jeet Sidhu

Jeet Sidhu

Director

/s/ Harmel S. Rayat

Harmel S. Rayat

Director, Secretary & Treasurer

Dated: November 5, 2003

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Arian Soheili, certify that:

(1) I have reviewed this quarterly report on Form 10-QSB of HepaLife Technologies, Inc. (the registrant);

(2)

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

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

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: November 5, 2003 By: /s/ Arian Soheili
Arian Soheili
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Harmel S. Rayat, certify that:

(1) I have reviewed this quarterly report on Form 10-QSB of HepaLife Technologies, Inc. (the registrant);

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

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

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and

procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: November 5, 2003

By: /s/ Harmel S. Rayat
Harmel S. Rayat
Principal Financial Officer

Exhibit 32.1

Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned hereby certifies that, to his knowledge, **(i)** the Form 10-QSB filed by HepaLife Technologies, Inc. (the Issuer) for the quarter ended September 30, 2003, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and **(ii)** the information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Issuer on the dates and for the periods presented therein.

HEPALIFE TECHNOLOGIES, INC.

Date: November 5, 2003 By: /s Arian Soheili
Arian Soheili
President and Chief Executive Officer

Exhibit 32.2

**Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

The undersigned hereby certifies that, to his knowledge, (i) the Form 10-QSB filed by HepaLife Technologies, Inc. (the Issuer) for the quarter ended September 30, 2003, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Issuer on the dates and for the periods presented therein.

HEPALIFE TECHNOLOGIES, INC.

Date: November 5, 2003 By: /s/ Harmel S. Rayat
Harmel S. Rayat

Principal Financial Officer