

MATERIAL TECHNOLOGIES INC /CA/
Form 10QSB
May 15, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____.

Commission file number 333-23617

Material Technologies, Inc.

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

Delaware
(State or other jurisdiction of
incorporation or organization)
11661 San Vicente Boulevard, Suite 707
Los Angeles, CA
(Address of principal executive offices)

95-4622822
(I.R.S. Employer
Identification No.)
90049
(Zip Code)

Issuer's telephone number, including area code (310) 208-5589

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes No

Applicable only to corporate issuers

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of May 1, 2006, there were 246,402,877 shares issued, and 179,958,143 shares outstanding, of our Series A common stock. As of May 1, 2006, there were 600,000 shares of Series B common stock issued and outstanding.

MATERIAL TECHNOLOGIES, INC.

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION.....	2
ITEM 1	Financial Statements.....	2
ITEM 2	Management’s Discussion and Analysis or Plan of Operation.....	34
ITEM 3	Controls and Procedures.....	40
PART II	OTHER INFORMATION.....	42
ITEM 1	Legal Proceedings.....	42
ITEM 2	Unregistered Sales of Equity Securities and Use of Proceeds.....	42
ITEM 3	Defaults Upon Senior Securities.....	44
ITEM 4	Submission of Matters to a Vote of Security Holders.....	44
ITEM 5	Other Information.....	45
ITEM 6	Exhibits.....	45

PART I FINANCIAL INFORMATION

This Quarterly Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the “Exchange Act”). These statements are based on management’s beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning our possible or assumed future results of operations set forth under the heading “Management’s Discussion and Analysis of Financial Condition or Plan of Operation.” Forward-looking statements also include statements in which words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “consider” or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Our future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

ITEM 1. Financial Statements

MATERIAL TECHNOLOGIES, INC.
(A Development Stage Company)**CONSOLIDATED BALANCE SHEET**

MARCH 31,
2006

ASSETS

Current assets:

Cash and cash equivalents	\$	22,695
Investments in marketable securities held for trading		130,392
Investments in marketable securities available for sale		174,435
Prepaid expenses and other current assets		2,206

Total current assets 329,728

Investments in non-marketable securities		3,582,600
Property and equipment, net		9,234
Intangible assets, net		5,275
Deposit		2,348

\$ 3,929,185

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Continued . . .
 See accompanying notes to consolidated financial statements
 F-1

MATERIAL TECHNOLOGIES, INC.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET

March 31,
2006

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Accounts payable and accrued expenses	\$ 299,337
Current portion of research and development sponsorship payable	25,000
Notes payable	88,921
Investments deriviative liability	662,646
Convertible debentures and accrued interest payable, net of discount of \$299,565	1,084,196
	<hr/>

Total current liabilities 2,160,100

Research and development sponsorship payable, net of current portion	741,890
Convertible debentures and accrued interest payable, net of discount of \$35,556	4,588
Derivative and warrant liabilities	<u>8,012,557</u>
Total liabilities	<u>10,919,135</u>