FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended December 31, 1996

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-12830

BioTime, Inc.
(Exact name of registrant as specified in its charter)

California	94-3127919
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

935 Pardee Street
Berkeley, California 94710
(Address of principal executive offices)

(510) 845-9535
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 3,190,193 common shares, no par value, as of February 13, 1997.

PART 1--FINANCIAL INFORMATION

Item 1. Financial Statements

BIOTIME, INC,
(A Development Stage Company)

CONDENSED BALANCE SHEETS
(Unaudited)

ASSETS	December 31, 1996	June 30, 1996
CURRENT ASSETS		
Cash and cash equivalents	$ 1,832,976	$ 2,443,121
Research and development supplies on hand (Note 2)	200,000	200,000
Prepaid expenses and other current assets	159,439	214,094
Total current assets	2,192,415	2,857,215
EQUIPMENT, Net of accumulated depreciation of $118,466 and $98,219	81,313	101,559
OTHER ASSETS (Note 2)	44,044	9,700
TOTAL ASSETS	$ 2,317,772	$ 2,968,474
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES--Accounts payable	$ 321,912	$ 129,229

COMMITMENTS		
SHAREHOLDERS' EQUITY:		
Preferred Shares, no par value, undesignated as to Series, authorized 1,000,000 shares; none outstanding		
Common Shares, no par value, authorized 5,000,000 shares; issued and outstanding 2,831,084 and 2,756,521	11,464,033	10,834,575
Contributed Capital	93,972	93,972
Deficit accumulated during development stage	(9,562,145)	(8,089,302)
Total shareholders' equity	1,995,860	2,839,245
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,317,772	$ 2,968,474

See notes to condensed financial statements.

BIOTIME, INC.
(A Development Stage Company)

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,		Period from Inception (November 30, 1990) to December 31, 1996
	1996	1995	1996	1995	
EXPENSES:					
Research and development	$ (485,659)	$ (291,646)	$ (917,825)	$ (539,858)	$ (5,690,853)
General and administrative	(288,630)	(206,631)	(594,983)	(340,004)	(4,615,758)
Total expenses	(774,289)	(498,277)	(1,512,808)	(879,862)	(10,306,611)
INCOME:					
Interest	19,767	33,802	39,610	76,600	718,308
Other	35	1,080	355	2,460	50,989
Total income	19,802	34,882	39,965	79,060	769,297
NET LOSS	$ (754,487)	$ (463,395)	$ (1,472,843)	$ (800,802)	$ (9,537,314)
NET LOSS PER SHARE	$ (.27)	$ (.18)	$ (.53)	$ (.31)	$ (4.73)
NUMBER OF SHARES USED FOR CALCULATION OF NET LOSS PER SHARE	2,794,093	2,591,014	2,784,465	2,591,862	2,015,901

See notes to condensed financial statements.

BIOTIME, INC.
(A Development Stage Company)

STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	Series A Convertible Preferred Shares		Common Shares			Deficit Accumulated During Developmemt Stage
	Number of Shares	Amount	Number of Shares	Amount	Contributed Capital	
BALANCE, November 30, 1990 (date of inception)						
NOVEMBER 1990						
Common shares issued for cash			437,587	$ 263		
DECEMBER 1990:						
Common shares issued for stock of a separate entity at fair value			350,070	137,400		
Contributed equipment at appraised value					$ 16,425	
Contributed cash					77,547	
MAY 1991:						
Common shares issued for cash less offering costs			33,725	54,463		
Common shares issued for stock of a separate entity at fair value			33,340	60,000		
JULY 1991:						
Common shares issued for services performed			10,000	18,000		
AUGUST-DECEMBER 1991						
Preferred shares issued for cash less offering costs of $125,700	120,000	474,300				
MARCH 1992:						
Common shares issued for cash less offering costs of $1,015,873			724,500	4,780,127		
Preferred shares converted into common shares	(120,000)	(474,300)	120,000	474,300		
Dividends declared and paid on preferred shares						(24,831)
MARCH 1994:						
Common shares issued for cash less offering costs of $865,826			935,200	3,927,074		
NET LOSS SINCE INCEPTION						(3,721,389)
BALANCE AT JUNE 30, 1994		$ --	2,644,422	$ 9,451,627	$ 93,972	$(3,746,220)

See notes to financial statements.

(Continued)

BIOTIME, INC.
(A Development Stage Company)

STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	Series A Convertible Preferred Shares		Common Shares			Deficit Accumulated During
	Number of Shares	Amount	Number of Shares	Amount	Contributed Capital	Development Stage
AUGUST 1994 - JUNE 1995						
Common shares repurchased with cash			(84,600)	(190,029)		
NET LOSS						(2,377,747)
BALANCE AT JUNE 30, 1995	--	$ --	2,559,822	$ 9,261,598	$ 93,972	$ (6,123,967)
JULY - SEPTEMBER 1995						
Common shares repurchased with cash			(6,200)	(12,693)		
Common shares warrants and options granted for services				356,000		
APRIL - JUNE 1996						
Common shares issued for cash (exercise of options and warrants)			165,507	1,162,370		
Common shares issued for cash (lapse of recission)			37,392	67,300		
NET LOSS						(1,965,335)
BALANCE AT JUNE 30, 1996	--	$ --	2,756,521	$10,834,575	$ 93,972	$ (8,089,302)
JULY - DECEMBER 1996						
Common shares issued for cash (exercise of options and warrants)			74,563	524,458		
Common shares warrants and options granted for service (Note 2)				105,000		
NET LOSS						(1,472,843)
BALANCE AT DECEMBER 31, 1996	--	$ --	2,831,084	$ 11,464,033	$ 93,972	$ (9,562,145)

See notes to financial statements. (Concluded)

BIOTIME, INC.
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended December 31,		Period from Inception (November 30, 1990) to December 31, 1996
	1996	1995	
OPERATING ACTIVITIES:			
Net loss	$(1,472,843)	$ (800,802)	$(9,537,314)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	20,248	17,847	134,866
Cost of Services - options and warrants	140,549		326,481
Changes in operating assets and liabilities:			
Research and development supplies on hand		(125,000)	(200,000)
Prepaid expenses and other current assets	(15,240)	24,421	(41,266)
Deposits			(9,700)
Organizational costs			(4,196)
Accounts payable	192,683	(222,762)	320,182
Net cash used in operating activities	(1,134,603)	(1,106,296)	(9,010,947)
INVESTING ACTIVITIES:			
Sale of investments			197,400
Purchase of short-term investments			(9,946,203)
Redemption of short-term investments			9,934,000
Purchase of equipment and furniture		(1,392)	(183,353)
Net cash used in investing activities	--	(1,392)	1,844
FINANCING ACTIVITIES:			
Issuance of preferred shares for cash			600,000
Preferred shares placement costs			(125,700)
Issuance of common shares for cash			10,710,926
Net proceeds from exercise of common share options and warrants	524,458		1,686,828
Common shares placement costs			(1,881,699)
Contributed capital - cash			77,547
Dividends paid on preferred shares			(24,831)
Repurchase Common Shares		(14,420)	(200,992)
Net cash provided by (used in) financing activities	524,458	(14,420)	10,842,079
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(610,145)	(1,122,108)	1,832,976
CASH: AND CASH EQUIVALENTS:			
At beginning of period	2,443,121	3,440,896	--
At end of period	$ 1,832,976	$ 2,318,78	$ 1,832,976

See notes to condensed financial statements.

(Continued)

BIOTIME, INC.
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended December 31,		Period from Inception (November 30, 1990) to December 31, 1996
	1996	1995	
NONCASH FINANCING AND INVESTING ACTIVITIES:			
Receipt of contributed equipment			$ 16,425
Issuance of common shares in exchange for shares of common stock of Cryomedical Sciences, Inc. in a stock-for-stock transaction			$ 197,400
Granting of options and warrants for services	105,000		461,000
Accrued public offering costs			54,458

See notes to condensed financial statements. (Concluded)

BIOTIME, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

1. GENERAL AND DEVELOPMENT STAGE ENTERPRISE

General - BioTime, Inc. (the Company) was organized November 30, 1990 as a California corporation. The Company is a biomedical organization, currently in the development stage, which is engaged in research and development of synthetic plasma expanders, blood substitute solutions, and organ preservation solutions, for use in surgery, trauma care, organ transplant procedures, and other areas of medicine.

The interim condensed financial statements presented have been prepared by BioTime, Inc. (the Company) without audit and, in the opinion of management, reflect all adjustments necessary (consisting only of normal recurring adjustments) to present fairly the financial position, results of operations and cash flows at December 31, 1996 and for all periods presented. The results of operations for any interim period are not necessarily indicative of results for a full year.

The Balance Sheet as of June 30, 1996, has been derived from the financial statements that have been audited by the Company's independent public accountants. The condensed financial statements and notes are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the annual financial statements and notes of the Company. It is suggested that the accompanying condensed financial statements be read in conjunction with the audited financial statements and the notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996, filed with the Securities and Exchange Commission.

The preparation of the Company's condensed financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the condensed balance sheet dates and the reported amounts of income and expenses for the periods presented.

Development Stage Enterprise - Since inception, the Company has been engaged in research and development activities in connection with the development of synthetic plasma expanders, blood substitute solutions and organ preservation products. The Company has not had any significant operating revenues and has incurred operating losses of $9,537,314 from inception to December 31, 1996. The successful completion of the Company's product development program and, ultimately, achieving profitable operations is dependent upon future events including maintaining adequate capital to finance its future development activities, obtaining

regulatory approvals for the products it develops and achieving a level of sales adequate to support the Company's cost structure.

The Company successfully completed two public offerings of its common shares and, at December 31, 1996, had remaining cash and cash equivalents of over $1,800,000. Management believes that additional funds may be required for the successful completion of its product development activities.

2. SHAREHOLDERS' EQUITY

The Board of Directors of the Company adopted the 1992 Stock Option Plan (the "Plan") in September 1992, which was approved by the shareholders at the 1992 Annual Meeting of Shareholders, on December 1, 1992. Under the Plan, as amended, the Company has reserved 400,000 Common Shares for issuance under options granted to eligible persons. No options may be granted under the Plan more than ten years after the date the Plan was adopted by the Board of Directors, and no options granted under the Plan may be exercised after the expiration of ten years from the date of grant.

At December 31, 1996, options for the purchase of 194,000 shares under the Plan were held by employees, officers, directors, members of the scientific advisory board and certain consultants. Such options are exercisable at prices ranging from $1.99 to $18.81 beginning from one to two years after the grant date and expire after five to ten years from the grant date. Certain options require the achievement of performance criteria. During the quarter ended December 31, 1996, options to purchase a total of 10,000 common shares were issued to consultants at an average option price of $18.81 per share. The estimated fair value of the services totaled $20,000 and was recognized in the period. At December 31, 1996, 184,000 options were exercisable at prices ranging from $1.99 to $18.00. Options for 90,000 common shares have been exercised as of December 31, 1996.

In September 1996, the Company entered into an agreement with an individual to act as an advisor to the Company. In exchange for services, as defined, to be rendered by the advisor through September 1999, the Company issued warrants, with five year terms, to purchase 40,000 common shares at a price of $18.75 per share. Warrants for 25,000 common shares vested and became exercisable and transferable when issued; warrants for the remaining 15,000 common shares vest ratably through September 1997 and become exercisable and transferable as vesting occurs. The estimated value of the services to be performed is $60,000 and that amount has been capitalized and is being amortized over the term of the agreement.

During September 1995, the Company entered into an agreement with a firm to act as its financial advisor. In exchange for financial consulting services associated in part with a plan to secure additional capital, the Company issued to the financial advisor warrants to purchase 100,000 common shares at a price of $6 per share, and the Company agreed to

issue additional warrants to purchase up to an additional 200,000 common shares at a price equal to the greater of (a) 150% of the average market price of the common shares during the three months prior to grant or (b) $6 per share. The additional warrants were to be issued in equal quarterly installments over a two year period, beginning October 15, 1995. The Company may terminate the financial advisory agreement on 30 days notice, in which case the next warrant issuance would be accelerated to the date on which notice of termination is given, but no additional warrants would be issued. As of December 31, 1996, the total number of warrants to purchase Common Shares issued was 225,000; 150,000 of which aree exercisable at a price of $6 per share, 25,000 of which are exercisable at a price of $7.32 per share, 25,000 of which are exercisable at a price of $30.04 per share, and 25,000 of which are exercisable at $29.33 per share. As of January 15, 1997, warrants to purchase an additional 25,000 shares were issued, which are exercisable at a price of $32.55 per share.

During the quarter ended December 31, 1996, the Company recognized $50,136 in amortization expense for capitalized service costs related to consulting agreements.

3. SUBSEQUENT EVENTS

On February 4, 1997, the Company completed a subscription rights offering, raising $5,662,180 through the sale of 283,109 common shares. In addition, from December 26, 1996 through February 10, 1997, the Company received $772,271 through the exercise of certain underwriters' warrants.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Since its inception in November 1990, the Company has been engaged primarily in research and development activities. The Company has not yet generated significant operating revenues, and as of December 31, 1996 the Company had incurred a cumulative net loss of $9,537,314.

Most of the Company's research and development efforts have been devoted to the development of the Company's first two blood volume replacement products: Hextend(R) and PentaLyte.TM The Company is presently conducting a Phase III clinical trial of Hextend(R) in human patients. The clinical trial will involve approximately 150 patients and is designed to test whether the use of Hextend(R) can improve patient outcomes by maintaining organ perfusion and preventing the adverse effects of hypovolemia (loss of blood volume) during surgery. The clinical trial began in October 1996 and

is being conducted at the Duke University Medical Center in Durham, North Carolina and at Mt. Sinai School of Medicine in New York, New York. The trial is proceeding in accordance with the Company's expectations. Additional studies are being designed to assess the value of Hextend(R) in other surgical applications.

In order to commence clinical trials of new products and certain new therapeutic uses of Hextend(R), it will be necessary for the Company to prepare and file with the Food and Drug Administration ("FDA") an Investigational New Drug Application ("IND") or an amendment to the present IND for Hextend(R). The cost of preparing those IND filings and conducting those clinical trials is not presently determinable. It may be necessary for the Company to obtain additional financing in order to complete any clinical trials that may begin for its new products or for additional uses of Hextend(R).

The Company plans to continue to provide funding for its laboratory testing programs at selected medical schools and hospitals for the purpose of developing additional uses of Hextend,(R) PentaLyteTM and other new products, but the amount of research that will be conducted at those institutions will depend upon the extent to which the Company can raise sufficient capital for research in addition to the funding required for the clinical testing of new products. If funding for collaborative research at medical schools and hospitals is curtailed, the Company will have to rely on in-house research, using small laboratory animals.

If the clinical trials of Hextend(R) are successful, the Company will have to prepare a New Drug Application for FDA approval to manufacture and market the new product. In order to complete a New Drug Application, the Company will have to obtain the means of producing Hextend(R) in compliance with FDA "good manufacturing practices."

To address its anticipated need for manufacturing and marketing resources, the Company is negotiating with major pharmaceutical companies that, based upon their current product lines and resources, will be able to manufacture and market the Company's products if and when the necessary regulatory approvals are obtained. The Company and the representatives of a major pharmaceutical company are finalizing a manufacturing and marketing agreement for certain Company products.

The acquisition of the Company's own production facilities and the development of the Company's own marketing organization is also being considered in the event that production and marketing arrangements cannot be made with established pharmaceutical companies on terms that the Company deems advantageous. Additional capital would be required in order for the Company to acquire its own production facilities and marketing organization.

Because the Company's research and development expenses, clinical trial expenses, and production and marketing expenses will be charged against earnings for financial reporting purposes, management expects that losses from operations will continue to be incurred for the foreseeable future.

Results of Operations

Revenues

From inception (November 30, 1990) through December 31, 1996, the Company generated $769,297 of revenues, comprised of $50,989 from the sale of products and services, and $718,308 in interest. For the three months ended December 31, 1996, the Company generated total revenues of $19,802. During the three months ended December 31, 1995, the Company had generated $34,882 of revenues. For the six months ended December 31, 1996, the Company generated $39,965 of revenues. For the six months ended December 31, 1995, the Company generated $79,060 of revenues. Substantially all of the Company's revenues during those periods was from interest income. The decrease in interest income is attributable to the decrease in cash and cash equivalents from 1995 to 1996. Limited test marketing of the Company's laboratory research equipment, through advertisements in trade publications, has resulted in sales of a small number of microcannulas. Although the Company may continue to test market its laboratory research equipment, and to promote its ability to perform research services, the Company's ability to generate substantial operating revenue depends upon its success in developing and marketing its blood substitute and organ preservation solutions and technology for medical use.

Operating Expenses

From inception (November 30, 1990) through December 31, 1996, the Company incurred $5,690,853 of research and development expenses, including salaries, supplies and other expense items. Research and development expenses increased to $485,659 for the three months ended December 31, 1996, from $291,646 for the three months ended December 31, 1995. Research and development expenses also increased, to $917,825 for the six months ended December 31, 1996, from $539,858 for the six months ended December 31, 1995. The increase in research and development expenses is primarily attributable to preparation and initiation of Phase III human clinical trials. It is expected that research and development expenses will increase as the Company continues clinical testing of Hextend(R) and commences clinical studies of other products.

From inception (November 30, 1990) through December 31, 1996, the Company incurred $4,615,758 of general and administrative expenses. General and administrative expenses increased to $288,630 for the three months ended December 31, 1996 from $206,631 for the three months ended December 31, 1995. General and administrative expenses also increased to $594,983 for the six months ended December 31, 1996, from $340,004 for the six months ended December 31, 1995. The increase is primarily attributable to increased personnel costs and to an amortization expense of $50,136 associated with agreements the Company entered into with certain financial advisors and consultants in exchange for warrants to purchase the Company's common shares (See Note 2 to the accompanying financial statements).

Liquidity and Capital Resources

Because of the developmental nature of the Company's business, it is highly unlikely that in the foreseeable future the Company will be able to generate internally the funds necessary to carry on its planned operations. Since inception, the Company has financed its operations through the sale of equity securities. On February 4, 1997, the Company completed a subscription rights offering, raising $5,662,180 through the sale of 283,109 common shares. In addition, from December 26, 1996 through February 10, 1997, the Company received $772,271 through the exercise of certain underwriters' warrants.

The future availability and terms of equity and debt financings and collaborative arrangements with industry partners cannot be predicted. The unavailability or inadequacy of financing to meet future capital needs could force the Company to modify, curtail, delay or suspend some or all aspects of its planned operations.

SIGNATURES

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

BIOTIME, INC.

Date: February 12, 1997 ----------
Paul E. Segall, Ph.D.
Chief Executive Officer

Date: February 12, 1997 ----------
Victoria Bellport
Chief Financial Officer

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