DAUPHIN TECHNOLOGY INC
Form 10-Q
August 14, 2006

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

FORM 10-Q

(Mark One)

X ------ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended June 30, 2006

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 No. 33-21537-D

DAUPHIN TECHNOLOGY, INC.
(Exact name of registrant as specified in charter)

Illinois	87-0455038
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1014 E. Algonquin Rd., Suite 111, Schaumburg, Illinois	60067
(Address of principal executive offices)	(Zip Code)

(847) 303-6566
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed 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 No X

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDING DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes 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: As of August 14, 2006, 99,969,028 shares of the registrant's common stock, $.001 par value, were issued and outstanding.

Dauphin Technology, Inc.
(A Development Stage Company)

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Dauphin Technology, Inc.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS

June 30, 2006 and December 31, 2005

ASSETS

	June 30, 2006	Dece
CURRENT ASSETS:	(Unaudited)	
Cash	$ 95,070	$
Total assets	$ 95,070	$

LIABILITIES AND STOCKHOLDERS' DEFICIT

	June 30, 2006	Dece
CURRENT LIABILITIES		
Accounts payable	$ 272,669	$
Accrued expenses	439,130	
Short-term borrowings	150,000	
Current portion of long-term debt	12,427	
Derivative liability	1,768	
Conversion obligation	950,000	
Convertible loans	3,331,378	
Total current liabilities	5,157,372	
COMMITMENTS AND CONTINGENCIES	-	
SHAREHOLDERS' DEFICIT:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, issued and outstanding at June 30, 2006 and December 31, 2005	100,000	
Common stock, $0.001 par value, 100,000,000 shares authorized; 99,969,028 shares issued and outstanding at June 30, 2006 and 99,569,028 issued and outstanding at December 31, 2005	99,970	
Additional paid-in capital	65,739,251	
Accumulated deficit	(71,001,523)	
Total shareholders' deficit	(5,062,302)	
Total liabilities and shareholders' deficit	$ 95,070	$

The accompanying notes are an integral part of these consolidated financial statement

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Dauphin Technology, Inc.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended June 30, 2006 and 2005, the six months ended June 30,

cumulative amounts since January 1, 2004 (Commencement of development

	Three Months Ended June 30 2006	2005	Six Mont 2006
NET SALES	$ -	$	$
COST OF SALES	-	-	
Gross profit	-	-	
GENERAL AND ADMINISTRATIVE EXPENSES	337,935	224,733	657,0
Loss from operations	(337,935)	(224,733)	(657,0
Derivative (loss) gain	1,134,641	(195,493)	1,229,3
INTEREST EXPENSE	(21,511)	(15,000)	(39,4
Net income (loss) from continuing operations	775,195	(435,226)	532,8
DISCONTINUED OPERATIONS			
Loss from discontinued operations	-	-	
Net income (loss)	$ 775,195	$ (435,226)	$ 532,8
INCOME (LOSS) PER SHARE:			
Continuing Operations	$ 0.01	$ (0.00)	$ 0.
Discontinued Operations	0.00	(0.00)	0.
Total Basic and Diluted	$ 0.01	$ (0.00)	$ 0.
Weighted average number of shares of common stock outstanding			
Basic	99,702,000	99,252,000	99,636,00
Diluted	99,702,000	99,252,000	99,636,00

The accompanying notes are an integral part of these consolidated financial

Dauphin Technology, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Six months ended June 30, 2006 and 2005
(Unaudited)

	Six Months Ended June 30, 2006	2005	Cu Janua

CASH FLOWS FROM OPERATING ACTIVITIES			
Net gain (loss)	$ 532,890	$ (642,657)	$ (
Non-cash items included in net loss:			
Amortization of debt discount	-	-	
Convertible loans issued in lieu of consulting fees	-	-	
Common stock issued in lieu of convertible loans	120,000	37,500	
Common stock issued for consulting fees	-	-	
Commons stock issued for employee settlement	-	-	
Changes in:			
Accounts receivable	-	-	
Assets of discontinued operations	-	8,832	
Prepaid expenses	-	2,500	
Accounts payable	75,856	124,968	
Accrued expenses	118,521	(29,350)	
Liabilities from discontinued operations	-	(243,748)	(
Net cash used in operating activities	847,267	(741,955)	(
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	
Net cash used in investing activities	-	-	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of restricted shares	-	-	
Issuance of preferred stock	-	550,000	
Derivative liability	(1,229,390)	226,076	
Issuance of convertible loans	305,500	251,000	
Repayment of convertible loans	(5,600)	-	
Payments on long-term debt	(1,088)	-	
Payments on short-term borrowings	-	(200,000)	
Increase in short-term borrowing	100,000	8,961	
Net cash provided by financing activities	(830,578)	836,037	
Net increase (decrease) in cash	16,689	94,082	
CASH BEGINNING OF PERIOD	78,381	7,829	
CASH END OF PERIOD	$ 95,070	$ 101,911	$
CASH PAID DURING THE PERIOD FOR:			
Interest	$ -	$ -	$
NONCASH TRANSACTIONS:			
Common stock issued in connection with:			
Services	$ -	$ 37,500	$

The accompanying notes are an integral part of these consolidated financial statements

Dauphin Technology, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

The accompanying financial statements are unaudited, but in the opinion of the management of the Company, contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position at June 30, 2006, the results of operations for the three months and six months ended June 30, 2006 and 2005, and the cash flows for the six months ended June 30, 2006 and 2005 and cumulative amounts since January 1, 2004 (date of commencement of development stage).

Reference is made to the Company's Form 10-K for the year ended December 31, 2005. The results of operations for the six months ended June 30, 2006 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending December 31, 2006.

Effective January 1, 2004, the Company is considered a development stage company as defined in Statement of Accounting Standards (SFAS) No. 7. The Company's development stage activities consist of evaluating potential merger candidates and raising additional financing.

2. Related Party Transactions

None

3. Stock-Based Compensation

For stock options granted to employees prior to January 1, 2006, the Company utilized the footnote disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123 encourages entities to adopt a fair-value based method of accounting for stock options or similar equity instruments. However, it also allows an entity to continue measuring compensation cost for stock-based compensation using the intrinsic-value method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. The Company elected to continue to apply the provisions of APB 25 and provide pro forma footnote disclosures required by SFAS No. 123 as applicable. Accordingly, no compensation cost has been recognized in the consolidated financial statements for stock options granted to employees. There have been no stock options granted during the second quarter of 2006 or 2005, nor since January 1, 2004.

4. Weighted Average Shares

The computation of basic income (loss) per common share is based on the weighted average number of shares outstanding during each period.

The computation of diluted income (loss) per common share is based on the weighted average number of common shares outstanding during the period, plus the common stock equivalents that would arise from the exercise of stock options and warrants outstanding, using the treasury stock method and the average market price per share during the period.

Warrants to purchase 700,000 shares, and 1,704,999 shares at June 30, 2006 and 2005, respectively, at prices between $.10 and $1.36 were outstanding but were excluded for the calculations for diluted income (loss) per share as the effect was antidilutive.

5. Supplemental Cash Flow Information

Interest in the amount of $18,262 has been paid during the period from January 1, 2004 to June 30, 2006. No amounts have been paid for income taxes during the same period.

6. Liquidity

The Company is a development stage company and does not have revenues from operations. In addition, the Company has a deficit in working capital and stockholder's equity, and has incurred sustained losses.

The Company has funded losses from operations in the current quarter primarily from the issuance of debt and the sale of the Company's restricted common stock in private placement transactions, and will require additional funding from these sources to sustain its future operations. The Company anticipates that the issuance of debt and the sale of the Company's restricted common stock will continue to fund operating losses in the short-term; however, there can be no assurance that it will be successful in doing so.

7. Definitive Merger Agreement with GeoVax

On January 20, 2006, Dauphin entered into a Definitive Agreement and Plan of Merger (the "Merger") whereby the Company's wholly owned subsidiary, GeoVax Acquisition Corp., would merge with and into GeoVax. Upon completion of the Merger, GeoVax would survive the Merger as a wholly owned subsidiary of Dauphin. GeoVax, Inc., a Georgia biotechnology company, was established to develop, license and commercialize the manufacture and sale of human vaccines for diseases caused by HIV-1 (Human Immunodeficiency Virus) and other infectious agents. The Merger shall become effective upon, among other things, an affirmative vote of approval from each companies' shareholders. If the Merger is completed, there is no assurance that the surviving company will be economically successful.

8. Conversion Obligation

On May 15, 2006, Dauphin and the preferred shareholders entered into an agreement titled "Conversion Agreement" whereby all of the 10,000,000 shares of preferred stock will be converted into 20,000,000 shares of newly issued common stock upon the closing of the merger with GeoVax. The Conversion Agreement stipulates, among other things, that the preferred shareholders or an affiliate of theirs, had acquired the Crescent Note, which at May 15, 2006, represented a principal liability of $950,000 and approximately $411,000 of accrued interest. Concurrent with the execution and delivery of the Conversion Agreement, Dauphin agreed to issue to the preferred shareholders a warrant to purchase 22 million shares of common stock, exercisable only after the closing of the merger with GeoVax, in exchange for the complete and full satisfaction of the obligation under the Crescent Note, including the principal and interest. As a result, on our balance sheet we have removed the line item "Convertible Debenture" and replaced it with "Conversion Obligation" to reflect the value of the warrant issued to the preferred shareholders. Accordingly, we are no longer valuing the $950,000 Conversion Obligation as a derivative, and therefore not recording an associated liability, which as a result, has created a net gain for the three months and six months ending June 30, 2006. If for any reason the merger with GeoVax does not occur, the warrant issued to the preferred shareholders will be exchanged for a $1,361,395 note convertible into common stock of Dauphin. The face amount of the note is the $950,000 principal obligation, along with interest in the amount of $411,395.

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

Forward-looking statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than historical or current facts, including, without limitation, statements about our business strategy, plans and objectives of management and our future prospects, are forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from these expectations. Such risks and uncertainties include, without limitation, the following:

- financing of future operations, variations in our quarterly results, the occurrence of unanticipated events and circumstances and general economic conditions, including stock market volatility, results of future operations, including the ability to continue as a going concern and the successful closing of the GeoVax transaction.

These risks and uncertainties are beyond our control and, in many cases; we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. When used in this document, the words "assumptions," "believes," "plans," "expects," "anticipates," "intends," "continue," "may," "will," "could," "should," "future," "potential," "estimate," or the negative of such terms and similar expressions as they relate to us or our management are intended to identify forward-looking statements. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and the condensed consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the period ending December 31, 2005. Historical results and percentage relationships among any amounts in the financial statements are not necessarily indicative of trends in operating results for any future periods.

Critical accounting policies

Cash and Cash Equivalents

Cash and cash equivalents include all cash and liquid investments that mature three months or less from when they are purchased. The carrying amount approximates the fair value due to short maturity of these investments.

Income Taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the financial statements and tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement basis and tax basis of assets and liabilities (excluding non-deductible goodwill) and using enacted tax rates in effect for the years in which the differences are expected to become recoverable or payable.

(Loss)/Gain Per Common Share

Basic loss or gain per common share is calculated by dividing net loss for the year by the weighted-average number of shares outstanding during the period, which were 99,636,000 and 99,127,000 for the periods ending June 30, 2006 and 2005 respectively. Diluted loss per common share is adjusted for the assumed exercise of stock options and warrants unless such adjustment would have an anti-dilutive effect

Use of Estimates

The presentation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions.

These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of trade accounts receivable and the derivative liability.

Fair Value of Financial Instruments

The Company financial instruments consist of cash, receivables, notes receivables, payables, and notes payable. The carrying amount of cash, receivables and payables approximates fair value because of the short-term nature of these items. The aggregate carrying amount of the notes receivable and notes payable approximates fair value as the individual notes bear interest at market interest rates.

Strategic Direction

In November 2003, Dauphin's Board of Directors, as then constituted, considered and approved a plan to discontinue all operations effective January 1, 2004, and to seek out potential merger and or acquisition candidates. As a result the Company is considered a development stage business since January 1, 2004 for financial reporting purposes.

On January 20, 2006, Dauphin signed a definitive Agreement and Plan of Merger (the "Merger") whereby the Company's wholly owned subsidiary, GeoVax Acquisition Corp., would merge with and into GeoVax. Upon completion of the Merger, GeoVax would survive the Merger as a wholly owned subsidiary of Dauphin. GeoVax, Inc., a Georgia biotechnology company, was established to develop, license and commercialize the manufacture and sale of human vaccines for diseases caused by HIV-1 (Human Immunodeficiency Virus) and other infectious agents. The Merger shall become effective upon, among other things, an affirmative vote of approval from each companies' shareholders. If the Merger is completed, there is no assurance that the surviving company will be economically successful.

Dauphin Technology, Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
THE RESULTS OF OPERATIONS - CONTINUED
(Unaudited)

Results of Operations

The Company was unsuccessful in its previous operations and terminated those operations in December 2003. We were unsuccessful in generating income from or positive cash flow from any of our operations. Currently, the Company is working on the proposed transaction with GeoVax as described above. The gain of $532,890 for the six months ended June 30, 2006 is primarily the result of the gain recognized pertaining to the derivative. The loss of $642,657 for the six months ended June 30, 2005 is a result of employee wages, professional fees, interest expense and a loss associated with the derivative instrument. We anticipate that our general and administrative expenses going forward will be approximately $90,000 per month.

Liquidity and Capital Resources

The Company has incurred a net operating loss in each year since its founding and as of June 30, 2006, has an accumulated deficit of $71,001,523. The Company expects to incur operating losses over the near term.

As of June 30, 2006 the Company had current liabilities in excess of current assets of approximately $5,062,000.

The Company has funded losses from operations in the current year primarily from the issuance of debt and the sale of the Company's restricted common stock in private placement transactions, and will require additional funding from these sources to sustain its future operations. The Company anticipates that the issuance of debt and the sale of the Company's restricted common stock will continue to fund operating losses in the short-term. There is no assurance that the Company will be successful in raising the needed amounts of capital and debt needed to sustain the Company.

When used in this Form 10-Q, the words "expects," "anticipates," "estimates" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties, including those set forth under the "Risks and Uncertainties" set forth below that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date hereof. Dauphin expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based. This discussion should be read together with the financial statements and other financial information included in this Form 10-Q.

We are a development stage company as defined in SFAS No. 7 effective January 1, 2004. The Company's development stage activities consist of evaluating potential merger candidates and raising additional financing.

Risks and Uncertainties

Readers should carefully consider the risks described below in evaluating the Company's business. The following risks and uncertainties are not the only risks and uncertainties facing the Company.

We have an accumulated deficit due to substantial losses incurred over the last eight years

Since July 1996 we have operated with substantial losses from operations and have an accumulated deficit of $71,001,523 as of June 30, 2006. The Company expects to incur operating losses over the near term. The Company's ability to achieve profitability will depend on many factors including the Company's ability to procure and market commercially acceptable products. There can be no assurance that the Company will ever achieve a profitable level of operations or if profitability is achieved, that it can be sustained. Our financial performance may make it difficult for potential sources of capital to evaluate the viability of our business to date and to assess its future viability.

We currently have no operations.

The Company was unsuccessful in its operations and terminated those operations in December 2003. Our previous business operations were limited and did not result in (i) significant revenues, (ii) the accumulation of a significant dollar amount of assets, or (iii) in earnings. Because of a lack of resources, we were unable to fund the costs of complying with our filing requirements under Section 13 of the Securities Exchange Act of 1934, as amended. In November 2003, Dauphin's Board of Directors, as then constituted, considered and approved a plan to discontinue all operations effective January 1, 2004, and to seek out potential merger and or acquisition candidates.

The Company's ability to continue as a going concern is questionable

Because of recurring operating losses, the excess of current liabilities over current assets, the stockholders' deficit, and negative cash flows from operations, there is substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on attaining profitable operations, restructuring its debt obligations, and obtaining additional outside financing. The Company has funded losses from operations in the current year primarily from the issuance of debt and the sale of the Company's restricted common stock in private placement transactions, and will require additional funding from these sources to sustain its future operations. The Company anticipates that the issuance of debt and the sale of the Company's restricted common stock will continue to fund operating losses in the short-term but there is no assurance that the Company will be successful in obtaining additional capital or financial resources.

Planned transaction with GeoVax may not be completed

On January 20, 2006, Dauphin signed a definitive Agreement and Plan of Merger (the "Merger") whereby the Company's wholly owned subsidiary, GeoVax Acquisition Corp., would merge with and into GeoVax. Upon completion of the Merger, GeoVax would survive the Merger as a wholly owned subsidiary of Dauphin. GeoVax, Inc., a Georgia biotechnology company, was established to develop, license and commercialize the manufacture and sale of human vaccines for diseases caused by HIV-1 (Human Immunodeficiency Virus) and other infectious agents. The Merger shall become effective upon, among other things, an affirmative vote of approval from each companies' shareholders. There is no assurance that we will be successful in finalizing this transaction. If the transaction is completed, there is no assurance that the surviving company will be economically successful. Regardless of the outcome with GeoVax, we may not be successful in finding any suitable merger or acquisition candidate. If we are not successful in finding any suitable candidate, it would raise substantial doubt as to our ability to continue any operations.

Funding Requirements

In order to continue its planned transaction, the Company must obtain additional funding. The Company has no source of working capital except the prospect of obtaining new equity or debt financing. We have no revenues and therefore rely solely on obtaining either equity or debt financing. The Company must continue to sell equity or find another source of operating capital until its operations are profitable. While the Company's financial statements have been prepared under the assumption that the Company will continue as a going concern, the independent registered public accounting firm's report on the Company's 2004 financial statements, included an explanatory paragraph relating to the substantial doubt as to the Company's ability to continue as a going concern.

The Company does not have sufficient shares of common stock authorized to meet its obligations

Currently, we do not have enough authorized shares of common stock to issue to holders of warrants, as well obligations pursuant to our convertible loans. This deficiency in the number of authorized shares of common stock can only be rectified by an affirmative vote of the majority of our shareholders to amend our Articles of Incorporation to reflect an increased number of authorized shares of common stock. There can be no assurance that our shareholders will approve an amendment to our Articles of Incorporation.

Shareholders may suffer dilution from the exercise of existing options, warrants and convertible notes; the terms upon which we will be able to obtain additional equity capital could be adversely affected

Our common stock may become diluted if any of the outstanding warrants to purchase our common stock are exercised. The total number of shares that may be issued pursuant to the outstanding warrants is 700,000.

It is likely that our shares will be subject to substantial price and volume fluctuations due to a number of factors, many of which will be beyond our control

The securities markets have recently experienced significant price and volume fluctuations. The market prices and volume of securities of and development-stage companies have been especially volatile. Market volatility and other market conditions could reduce the market price for our shares. Our stock price has fluctuated in the past and could continue to do so in the future. Your investment in the Company's stock could lose value. Some of the factors that could significantly affect the market price of the Company's stock are discussed in these Risk Factors and elsewhere in this report, and also include: variations in quarterly financial results; changes in political, economic and market

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
THE RESULTS OF OPERATIONS - CONTINUED
(Unaudited)

conditions either generally or specifically to particular industries; and fluctuations in stock prices generally, particularly with respect to the stock prices for other biotechnology companies. A significant drop in our stock price could expose us to the risk of securities class action lawsuits. Defending against such lawsuits could result in substantial costs and divert management's attention and resources. An unfavorable outcome of such a matter may have a material adverse impact on the business, results of operations, financial position, or liquidity.

General Economic and Other Conditions

The Company's business may be adversely affected from time to time by such matters as changes in general economic, business and international conditions, prices and costs, technological developments and other factors of a general nature.

We have not paid any dividends and have no expectation of paying dividends in the foreseeable future

We have not declared, paid, or distributed any cash dividends on our shares in the past, nor are any cash dividends contemplated in the foreseeable future. There is no assurance that our operations will generate any profits from which to pay cash dividends. Even if profits are generated through operations in the future, our present intent is to retain any such profits for acquisitions, product development, production and marketing, and for general working capital requirements.

Our shares are not widely traded

There is only a limited market for our shares. If a large portion of the shares eligible for immediate resale after registration were to be offered for public resale within a short period of time, the current public market would likely be unable to absorb such shares. This could result in a significant reduction in current market prices. There can be no assurance that investors will be able to resell shares at the price they paid for the shares or at any price.

Our shares are subject to special trading rules relating to "penny stocks" which restrict trading

Our shares are covered by an SEC rule that imposes additional sales practice requirements on broker-dealers who sell "penny stock" to persons other than certain established customers. For transactions covered by the rule, the broker-dealer must obtain sufficient information from the customer to make an appropriate suitability determination, provide the customer with a written statement setting forth the basis of the determination and obtain a signed copy of the suitability statement from the customer. The rule may affect the ability of broker-dealers to sell our shares and also may affect your ability to sell shares in the secondary market.

Item 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures designed to ensure that financial information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized, and reported within the required time periods, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding disclosure.

In connection with the completion of its audit of, and issuance of its report on, our consolidated financial statements for the year ended December 31, 2005, our independent auditor identified deficiencies that existed in the design or operation of our internal control over financial reporting that it considered to be "significant deficiencies" or "material weaknesses." The Public Company Accounting Oversight Board ("PCAOB") has defined "significant deficiency" as a control deficiency, or a combination of control deficiencies, that adversely affects the company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that the misstatement of the company' annual or interim financial statements that is more than inconsequential will not be detected. The PCAOB has defined a "material weakness" as a "significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial will not be prevented or detected."

The significant deficiencies or material weakness in our internal controls relate to segregation of incompatible duties, establishment of procedures and controls over debt documentation and derivative transactions and debt accounting as well as the establishment of a Code of Ethics. We have disclosed these significant deficiencies and material weaknesses to our Board of Directors. Additional effort is needed to fully remedy these significant deficiencies and material weaknesses and we are continuing our efforts to improve and strengthen

our internal controls over financial reporting. Our management and Board of Directors will continue to work with our management and outside advisors with the goal to implement internal controls over financial reporting that are adequate and effective.

(b) Changes in internal controls and procedures

There has been no change in our internal control over financial reporting during the first quarter ended June 30, 2006, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On March 7, 2006, the Company filed legal action against preferred shareholders Stavros N. Papageorgiou and Nikolaos S. Papageorgiou, their advisor, Miltos Louizidis, and the investment banking firm of Crescent International, Ltd. (the "Defendants"). The complaint alleges, among other things, breaches of various agreements, fraud, tortious interference, conspiracy, and breaches of fiduciary duties by the Defendants. Specifically, Dauphin alleges that the Defendants embarked upon a scheme to defraud, tortiously interfere with contracts and business relationships, and to breach fiduciary duties in order to steal from Dauphin and its shareholders certain critical business opportunities, including its current efforts to merge with GeoVax, Inc.

On May 15, 2006, the Company and the preferred shareholders agreed to settle all legal actions between them. The settlement confirms the parties' agreement to proceed with the GeoVax merger, based upon a conversion and exchange of preferred shares upon closing of the merger, on the basis of a 1-preferred-for-2-common share exchange, as anticipated by the Merger Agreement. In addition, a convertible note representing a Company liability of approximately $1.3 million has been cancelled. On May 16, 2006, an agreed order was entered in the Circuit Court of Cook County, Illinois, dismissing all claims.

Item 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS - 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 (a). EXHIBITS

31. Certifications

31.1 Certification of Chief Executive and Chief Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of the Principal Executive and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of

Item 6 (b). REPORTS ON FORM 8-K

On January 24, 2006, we filed a report on Form 8-K, which reported the definitive Agreement and Plan of Merger entered in to by and among GeoVax, Inc., our subsidiary GeoVax Acquisition Corp., and Dauphin Technology.

On May 15, 2006, we filed a report on Form 8-K, which reported the change in our principal auditor from Tanner LC to Porter Keakle Moore LLP.

On May 19, 2006, we filed a report on Form 8-K, which reported the settlement of all litigation with our preferred shareholders.

On July 13, 2006, we filed a report on Form 8-K, which reported the First Amendment to Agreement and Plan of Merger ("Amendment") dated June 29, 2006 by and among Dauphin Technology, Inc., GeoVax Acquisition Corp., and GeoVax, Inc.

SIGNATURE

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.

DAUPHIN TECHNOLOGY, INC.

BY: /s/ Andrew J. Kandalepas

Andrew J. Kandalepas,
President, Chief Executive and Chief Financial Officer
(Principal Executive and Financial Officer)

Date: August 14, 2006