SAMARITAN PHARMACEUTICALS INC
Form 10-Q
November 14, 2006

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

Form 10-Q

[x] Quarterly Report Pursuant To SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT of 1934

For The Quarterly Period Ended September 30, 2006

( ) 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 001-32287

Samaritan Pharmaceuticals, Inc.
(Exact name of registrant as specified in charter)

Nevada	88-043153
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

101 Convention Center Drive, Suite 310, Las Vegas, Nevada 89109
(Address of principal executive offices) (Zip)

(702) 735-7001
Issuer's telephone number, including area code

Former Name, Former Address and Former Fiscal Year, if changed Since Last Report

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, as amended, during the preceding twelve (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[ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [x]

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[x] No[ ]

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

The number of shares of common stock issued and outstanding as of November 13, 2006 was 156,652,708.

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS

	September 30, 2006	December 31, 2005
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,125,558	$ 456,463
Grants receivable	-	51,117
Marketable securities	-	496,068
Note receivable	250,000	250,000
Interest receivable	63,534	42,861
Prepaid expenses	22,219	10,587
TOTAL CURRENT ASSETS	2,461,311	1,307,096
PROPERTY AND EQUIPMENT	147,500	206,803
OTHER ASSETS:		
Patent registration costs	826,446	700,798
Purchased technology rights	11,811	19,983
Organization costs-Samaritan Europe	3,605	-
Deposits	2,779	2,779
TOTAL OTHER ASSETS	844,641	723,560
	$ 3,453,452	$ 2,237,459

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$ 155,181	$ 267,945
Accrued officers' salaries	517,314	247,856
Common stock to be issued	-	46,259
TOTAL CURRENT LIABILITIES	672,495	562,060
SHAREHOLDERS' EQUITY:		
Preferred stock, 5,000,000 shares authorized at $.001 par value, -0- issued and outstanding	-	-
Common stock, 250,000,000 shares authorized at $.001 par value, 156,006,838 and 136,866,274 issued and outstanding at September 30,2006 and December 31, 2005, respectively	156,007	136,866
Additional paid-in capital	41,804,687	35,589,683
Deferred compensation	-	(40,034)
Treasury stock	(250,248)	(250,248)
Accumulated other comprehensive income	32,609	(24,472)
Accumulated deficit during development stage	(38,962,098)	(33,736,396)
TOTAL SHAREHOLDERS' EQUITY	2,780,957	1,675,399
	$ 3,453,452	$ 2,237,459

See accompanying notes to the consolidated financial statements (unaudited)

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS & COMPREHENSIVE INCOME
(UNAUDITED)

	From Inception (09/05/94) To September 30, 2006	Nine months ended September 30, 2006	2005	Th
REVENUES:				
Consulting	$ 300,000	$ -	$ -	$
Government research grants	289,226	32,379	135,429	
	589,226	32,379	135,429	
EXPENSES:				
Research and development	12,893,031	3,153,260	2,365,103	
Interest, net	(70,881)	(24,136)	(47,878)	
General and administrative	25,741,273	2,017,875	1,844,385	
Depreciation and amortization	1,353,871	107,922	50,286	
Other (income)loss	(365,970)	3,160	-	
	39,551,324	5,258,081	4,211,896	
NET LOSS	(38,962,098)	(5,225,702)	(4,076,467)	
Other Comprehensive loss				
Unrealized loss on marketable securities	-	3,933	9,342	
Foreign currency translation adjustment	32,609	53,149	(16,904)	
Total Comprehensive loss	$ (38,929,489)	$ (5,168,620)	$ (4,084,029)	$
Loss per share, basic and diluted		$ (0.04)	$ (0.03)	$

Weighted average number of shares outstanding:

Basic and diluted	143,932,392	134,034,155	

See accompanying notes to the consolidated financial statements (unaudited)

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

	Number of Shares	Par Value Common Stock	Shares Reserved for Conversion	Additional Paid in Capital	W
Inception at September 5, 1994	-	$ -	$ -	-	$
Shares issued for cash, net of offering costs	6,085,386	609	-	635,481	
Warrants issued for cash	-	-	-	-	
Shares issued as compensation for services	714,500	71	-	1,428,929	
Net loss	-	-	-	-	
December 31, 1996 (Unaudited)	6,799,886	680	-	2,064,410	
Issuance of stock, prior to acquisition	206,350	21	-	371,134	
Acquisition of subsidiary for stock	1,503,000	150	-	46,545	
Shares of parent redeemed, par value $.0001	(8,509,236)	(851)	-	851	
Shares of public subsidiary issued, par value $.001	7,689,690	7,690	820	(8,510)	
Net loss	-	-	-	-	
December 31, 1997 (Audited)	7,689,690	7,690	820	2,474,430	
Conversion of parent's shares	696,022	696	(696)	-	
Shares issued for cash, net of offering costs	693,500	694	-	605,185	
Shares issued in cancellation					

of debt	525,000	525	-	524,475
Shares issued as compensation	400,000	400	-	349,600
Net loss	-	-	-	-
December 31, 1998 (Audited)	10,004,212	10,005	124	3,953,690
Conversion of parent's shares	13,000	13	(13)	-
Shares issued in cancellation of debt	30,000	30	-	29,970
Shares issued for cash, net of offering costs	45,000	45	-	41,367
Shares issued as compensation	3,569,250	3,569	-	462,113
Detachable warrants issued	-	-	-	-
Detachable warrants exercised	100,000	100	-	148,900
Debentures converted to stock	1,682,447	1,682	-	640,438
Net loss	-	-	-	-
December 31, 1999 (Audited)	15,443,909	15,444	111	5,276,478
Conversion of parent's shares	128,954	129	(111)	(18)
Shares issued for cash, net of offering costs	1,575,192	1,575	-	858,460
Shares issued in cancellation of debt	875,000	875	-	660,919
Shares issued in cancellation of accounts payable	100,000	100	-	31,165
Shares issued as compensation	3,372,945	3,373	-	2,555,094
Warrants exercised	38,807	39	-	3,086
Warrants expired	-	-	-	5,000
Net loss	-	-	-	-
December 31, 2000 (Audited)	21,534,807	21,535	-	9,390,184

See accompanying notes to the consolidated financial statements (unaudited)

Shares issued for cash, net of offering cost	6,497,088	6,497	-	1,257,758
Shares issued as compensation	9,162,197	9,162	-	1,558,599
Shares issued for previously purchased shares	342,607	342	-	188,208
Shares issued in cancellation of accounts payable	200,000	200	-	68,880
Amortization of deferred compensation	-	-	-	-
Stock options issued for services	-	-	-	439,544
Net loss	-	-	-	-
December 31, 2001 (Audited)	37,736,699	37,736	-	12,903,173

Shares issued for cash, net of offering costs	18,657,500	18,658	-	2,077,641	
Shares issued as compensation	3,840,525	3,841	-	1,044,185	
Shares issued for previously purchased shares	50,000	50	-	4,950	
Shares issued in cancellation of accounts payable	4,265,184	4,265	-	539,291	
Amortization of deferred compensation	-	-	-		
Shares issued in cancellation of notes payable	-	-	-	-	
Stock options issued for services	-	-	-	225,000	
Net loss	-	-	-	-	
December 31, 2002 (Audited)	64,549,908	64,550		16,794,240	
Shares issued for cash, net of offering costs	17,493,664	17,493	-	2,392,296	
Shares issued as compensation	4,062,833	4,063	-	549,779	
Shares issued for previously purchased shares	1,160,714	1,161	-	161,339	
Shares issued in cancellation of accounts payable and accrued compensation	9,615,870	9,616	-	3,448,950	
Shares issued in cancellation of notes payable	-	-	-	-	
Shares issued in connection with equity financing	3,125,000	3,125		(3,125)	
Exercise of stock options	7,770,892	7,771	-	1,112,077	
Shares reacquired in settlement of judgement	(1,564,048)	(1,564)	-	251,812	
Stock options issued for services	-	-	-	145,000	
Net loss	-	-	-		
December 31, 2003 (Audited)	106,214,833	106,214	-	24,852,369	
Shares issued for cash, net of offering costs	11,426,733	11,427	-	4,289,511	
Shares issued as compensation, expensed	2,081,249	2,081	-	1,788,397	
Amortization of deferred compensation	-	-	-	-	
Shares issued for previously purchased shares	83,332	83	-	12,417	
Exercise of stock options	16,950,468	16,951	-	4,841,869	
Exercise of warrants	635,000	635	-	449,365	
Shares issued in connection with equity financing	8,758,240	8,758	-	3,091,243	
Stock retired in settlement of subscriptions receivable	(13,869,656)	(13,870)	-	(5,964,798)	
Shares reacquired in settlement of judgement	(250,000)	(250)	-	(231,100)	
Stock options issued for services	-	-	-	567,771	
Other comprehensive income (loss)	-	-	-	-	

Net Loss	-	-	-	-	
December 31, 2004 (Audited)	132,030,199	132,030	-	33,697,043	
Shares issued as compensation, expensed	398,900	399	-	196,785	
Amortization of deferred compensation	-	-	-	-	
Exercise of stock options	170,000	170		31,330	
Shares issued in connection with equity financing	4,267,175	4,267	-	1,599,473	
Stock options issued for services	-	-	-	65,052	
Other comprehensive income (loss)	-	-	-	-	
Net loss	-	-	-	-	
December 31, 2005 (Audited)	136,866,274	136,866	-	35,589,683	
Shares issued for cash, net of offering cost	7,212,500	7,213	-	2,037,787	
Amortization of deferred compensation	-	-	-	-	
Exercise of stock options	450,926	451	-	64,050	
Shares issued in connection with equity financing	11,477,138	11,477	-	4,003,296	
Stock options issued for services	-	-	-	109,871	
Other comprehensive income (loss)	-	-	-	-	
Net loss	-	-	-	-	
September 30, 2006 (Unaudited)	156,006,838	$ 156,007	$ -	$41,804,687	$

See accompanying notes to the consolidated financial statements (unaudited)

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STATE COMPANY)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

	Deferred Compensation	Accumulated Other Comprehensive Income	Stock Subscriptions Receivable	Treasury Shares	Acc De
Inception at September 5, 1994	$ -	-	$ -	$ -	$
Shares issued for cash, net of offering costs	-	-	-	-	
Warrants issued for cash	-	-	-	-	
Shares issued as compensation for services	-	-	-	-	
Net loss	-	-	-	-	(2
December 31, 1996 (Unaudited)	-	-	-	-	(2

Issuance of stock, prior to acquisition	-	-	-	-	
Acquisition of subsidiary for stock	-	-	-	-	
Shares of parent redeemed, par value $.0001	-	-	-	-	
Shares of public subsidiary issued, par value $.001	-	-	-	-	
Net loss	-	-	-	-	
December 31, 1997 (Audited)	-	-	-	-	(3
Conversion of parent's shares	-	-	-	-	
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued in cancellation of debt	-	-	-	-	
Shares issued as compensation	-	-	-	-	
Net loss	-	-	-	-	(1
December 31, 1998 (Audited)	-	-	-	-	(4
Conversion of parent's shares	-	-	-	-	
Shares issued in cancellation of debt	-	-	-	-	
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation	-	-	-	-	
Detachable warrants issued	-	-	-	-	
Detachable warrants exercised	-	-	-	-	
Debentures converted to stock	-	-	-	-	
Net loss	-	-	-	-	(1
December 31, 1999 (Audited)	-	-	-	-	(5
Conversion of parent's shares	-	-	-	-	
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued in cancellation of debt	-	-	-	-	
Shares issued in cancellation of accounts payable	-	-	-	-	
Shares issued as compensation	(759,560)	-	-	-	
Warrants exercised	-	-	-	-	
Warrants expired	-	-	-	-	
Net loss	-	-	-	-	(3
December 31, 2000 (Audited)	(759,560)	-	-	-	(9

See accompanying notes to the consolidated financial statements (unaudited)

Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation	(230,512)	-	-	-	
Shares issued for previously purchased shares	-	-	-	-	
Shares issued in cancellation of accounts payable	-	-	-	-	
Amortization of deferred compensation	495,036	-	-	-	
Stock options issued for services	-	-	-	-	
Net loss	-	-	-	-	(4
December 31, 2001 (Audited)	(495,036)	-	-	-	(13
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation	-	-	-	-	
Shares issued for previously purchased shares	-	-	-	-	
Shares issued in cancellation of accounts payable	-	-	-	-	
Amortization of deferred compensation	495,036	-	-	-	
Shares issued in cancellation of notes payable	-	-	-	-	
Stock options issued for services	-	-	-	-	
Net loss	-	-	-	-	(4
December 31, 2002 (Audited)	-	-	-	-	(17
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation	-	-	-	-	
Shares issued for previously purchased shares	-	-	-	-	
Shares issued in cancellation of accounts payable and accrued compensation	-	-	-	-	
Shares issued in cancellation of notes payable	-	-			
Shares issued in connection with equity financing	-	-	-	-	
Exercise of stock options	-	-	(1,119,848)	-	
Shares reacquired in settlement of judgement	-	-	-	(250,248)	
Stock options issued for services	-	-	-	-	
Net loss	-	-	-	-	(5
December 31, 2003 (Audited)	-	-	(1,119,848)	(250,248)	(23
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation, expensed	(544,416)	-	-	-	
Amortization of deferred compensation	240,000	-	-	-	

Shares issued for previously purchased shares	-	-	-	-	
Exercise of stock options	-	-	(4,858,820)	-	
Exercise of warrants	-	-	-	-	
Shares issued in connection with equity financing	-	-	-	-	
Stock retired in settlement of subscriptions receivable	-	-	5,978,668	-	
Shares reacquired in settlement of judgement	-	-		-	
Stock options issued for services	-	-		-	
Other comprehensive income (loss)	-	(16,580)		-	
Net Loss	-	-	-	-	(4,
December 31, 2004 (Audited)	(304,416)	(16,580)	0	(250,248)	(28,
Shares issued as compensation, expensed	(128,034)	-	-	-	
Amortization of deferred compensation	392,416	-	-	-	
Exercise of stock options	-	-		-	
Shares issued in connection with equity financing	-	-	-	-	
Stock options issued for services	-	-	-	-	
Other comprehensive income (loss)	-	(7,892)	-	-	
Net loss	-	-	-	-	(5,
December 31, 2005 (Audited)	(40,034)	(24,472)	-	(250,248)	(33,
Shares issued for cash, net of offering cost	-	-	-	-	
Amortization of deferred compensation	40,034	-	-	-	
Exercise of stock options	-	-	-	-	
Shares issued in connection with equity financing	-	-	-	-	
Stock options issued for services	-	-	-	-	
Other comprehensive income (loss)	-	57,081	-	-	
Net loss	-	-	-	-	(5,
September 30, 2006 (Unaudited)	$ -	$ 32,609	$ -	$(250,248)	$(38,

See accompanying notes to the consolidated financial statements (unaudited)

SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

From

	Inception (September 5, 1994) To September 30, 2006	Nine Months E 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (38,962,098)	$ (5,225,702)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,353,871	107,922
Stock based compensation	9,659,280	-
Stock options issued for services	1,552,238	109,871
Amortization of deferred compensation	1,662,522	40,034
Foreign currency (loss) gain	32,610	53,150
(Gains) losses on disposition of assets	-	3,160
Other income	(231,350)	-
(Increase) decrease in assets:		
Accounts receivable	-	51,117
Interest receivable and prepaids	(98,993)	(32,305)
Deposits	12,941	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,533,309	156,694
NET CASH USED IN OPERATING ACTIVITIES	(22,485,670)	(4,736,059)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of technology	(108,969)	-
Purchase of furniture and equipment	(342,310)	(3,814)
Organization costs, Samaritan-Europe	(4,243)	(4,243)
Note receivable	(250,000)	-
(Purchase) liquidation of marketable securities	-	496,840
Patent registration costs	(906,129)	(161,643)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,611,651)	327,140
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from warrants/options	703,125	64,500
Proceeds from debentures	642,120	-
Proceeds from stock issued for cash	14,628,569	2,045,000
Proceeds from equity financing	8,672,256	3,968,514
Common stock to be issued	252,309	-
Short-term loan repayments	(288,422)	-
Short-term loan proceeds	1,612,922	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	26,222,879	6,078,014
INCREASE (DECREASE) IN CASH	2,125,558	1,669,095
CASH AT BEGINNING OF PERIOD	-	456,463
CASH AT END OF PERIOD	$ 2,125,558	$ 2,125,558

SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 5,098	$ -
NON-CASH FINANCING & INVESTING ACTIVITIES:		
Purchase of net, non-cash assets of subsidiary for stock	$ 195,000	$ -
Short-term debt retired through issuance of stock	$ 1,890,695	$ -
Issuance of common stock, previously subscribed	$ 226,259	$ 46,259
Treasury stock acquired through settlement of judgement	$ 250,248	$ -
Stock subscriptions receivable	$ 1,119,848	$ -
Stock received in settlement	$ (231,350)	$ -
Stock as compensation for services	$ 6,533,527	$ -
Stock issued in cancellation of accounts payable	$ 4,248,938	$ -
Exercise of stock options	$ 4,858,820	$ -

See accompanying notes to the consolidated financial statements (unaudited)

SAMARITAN PHARMACEUTICALS, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2006 and 2005

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and disclosures required for annual financial statements. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related footnotes for the year ended December 31, 2005, included in the Form 10-K for the year then ended.

In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) necessary to fairly present the Company's financial position as of September 30, 2006, and the results of operations and cash flows for the nine (9) month period ending September 30, 2006 have been included. The results of operations for the nine (9) month period ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K/A as filed with the U.S. Securities and Exchange Commission on November 2, 2006 for the year ended December 31, 2005.

Note 2. Summary of Significant Accounting Policies

General

Samaritan Pharmaceuticals, Inc. (the "Company") was formed in September 1994 and became public in October 1997. The principle executive offices are located in Las Vegas, Nevada.

The Company trades on the American Stock Exchange under the symbol "LIV."

The Company is working to ensure a longer and better life for patients suffering with AIDS, Alzheimer's, cancer and cardiovascular disease. We are a pipeline-driven biopharmaceutical company with a clear focus on advancing early stage innovative drugs through clinical development, with the ultimate goal of bringing novel therapeutics and diagnostic products to market.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation.

Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of six (6) months or less to be cash equivalents. The Company maintains its cash in bank accounts at high credit quality financial institutions. The balances at times may exceed federally insured limits.

Revenue Recognition

The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin 104 for revenue recognition. The Company recognizes revenue when persuasive evidence of a final agreement exists, delivery has occurred, the selling price is fixed or determinable and the ability to collect on the final agreement is reasonably assured. Government research revenue, consisting of grant income was recognized when the qualifying expenditure was incurred.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

Intangibles

a) Legal fees associated with filing patents are recorded at cost and amortized over 17 years. The Company has one (1) issued U.S. patent and thirteen (13) pending patent applications in the U.S. to protect its proprietary methods and processes. The Company also filed corresponding foreign patent applications for certain of these U.S. patent applications. As of September 30, 2006, its patent portfolio outside the U.S. comprised of two (2) issued patents and fifty-two (52) pending patent applications. The issued U.S. patents and pending patent applications relate to Alzheimer's, cancer, cardiovascular and HIV indications. Certain U.S. patents may be eligible for patent term extensions under the Hatch-Waxman Act and may be available to the Company for the lost opportunity to market and sell the invention during the regulatory review process.

The Company reviews patent costs for impairment by comparing the carrying value of the patents with the fair market value. The Company believes it will recover the full amount of the patent costs based on forecasts of sales of the products related to the patents. Patent registration costs are amortized over seventeen (17) years once approved. Patent amortization expense was $35,995 and $14,091 for the nine months and three months ended September 30, 2006. Amortization for the three months and nine months ended September 30, 2005 was zero. Expected

amortization projected for the next five years is as follows:

2006	$47,993
2007	$47,909
2008	$45,091
2009	$42,438
2010	$39,942

b) Purchased technology rights are recorded at cost and are being amortized using the straight line method over the estimated useful life of the technology.

Amortization was $8,172 and $2,724 for the nine months and three months ended September 30, 2006 and 2005. Accumulated amortization at September 30, 2006 and December 31, 2005 was $97,158 and $88,986, respectively. Expected amortization projected is $2,724 for 2006 and $9,087 for 2007.

Loss Per Share

The Company reports loss per common share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." The per share effects of potential common shares such as warrants, options, convertible debt and convertible preferred stock have not been included, as the effect would be antidilutive. The Company had 25,238,518 options outstanding at September 30, 2006 and 24,076,018 at September 30, 2005, which were not included in the calculation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Pursuant to the Statement of Financial Accounting Standards, No. 109 (SFAS 109) "Accounting for Income Taxes," the Company accounts for income taxes under the liability method. Under the liability method, a deferred tax asset or liability is determined based upon the tax effect of the differences between the financial statement and tax basis of assets and liabilities as measured by the enacted rates, which will be in effect when these differences reverse.

Research and Development Costs

Research and development costs are expensed when incurred. Research and development costs for the nine (9) months and three (3) months ended September 30, 2006 and 2005, were $3,153,260 and $2,365,103 and $1,053,552 and $824,204, respectively.

Impairment of Long-Lived Assets

The Company reviews long-lived assets and certain identifiable assets related to those on a quarterly basis for impairment whenever circumstances and situations change, such that there is an indication that the carrying amounts may not be recovered. At September 30, 2006 the Company does not believe any impairment has occurred.

Fair Value of Financial Instruments

Statement of Financial Accounting Standard No.107, "Disclosures about Fair Value of Financial Instruments" (SFAS 107) requires the disclosure of fair value information about financial instruments whether or not recognized on the balance sheet, for which it is practicable to estimate the value. Where quoted, market prices are not readily available, fair values are based on quoted market prices of comparable instruments. The carrying amount of cash, grants receivable, marketable securities, accounts payable and accrued officers' salaries approximates fair value because of the short maturity of those instruments.

Marketable Securities

At December 31, 2005, the Company held a brokered Certificate of Deposit with a total market value of $496,068. It originally cost $500,000. Unrealized gains and losses, determined by the difference between historical purchase price and the market value at each balance sheet date, are recorded as a component of, "Accumulated Other Comprehensive Loss in Shareholder's Equity." Realized gains and losses will be determined by the difference between historical purchase price and gross proceeds received when the marketable securities are sold. During the first quarter of 2006, Samaritan sold the brokered Certificate of Deposit and currently does not hold any brokered Certificates of Deposit.

Foreign Currency Translation

Assets and liabilities of subsidiaries operating in foreign countries are translated into U.S. dollars, using the exchange rate in effect at the balance sheet date of historical rate, as applicable. Results of operations are translated using the average exchange rates prevailing throughout the year. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in shareholders' equity (Accumulated other comprehensive loss), while gains and losses resulting from foreign currency transactions are included in operations.

Accrued Officers' Compensation

Accrued officer's compensation consists of the unpaid portion of the respective officer's contract salary.

Common Stock To Be Issued

Unissued stock consists of proceeds received by year-end or period-end for stock yet to be issued. Such amounts were or will be retired through the issuance of shares subsequent to the balance sheet date. These shares were issued in April 2006.

Stock Based Compensation

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment," which replaces SFAS No. 123 and supersedes APB Opinion No. 25. Under SFAS No. 123(R), companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are

required to provide services. Share-based compensation arrangements include stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. In March 2005 the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 107, or (SAB 107). SAB 107 expresses views of the Staff regarding interaction between SFAS No. 123(R) and certain SEC rules and regulations. It also provides the Staff's views regarding the valuation of share-based payment arrangements for public companies. SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods. On April 14, 2005, the SEC adopted a new rule amending the compliance dates for SFAS 123R. Companies may elect to apply this statement either prospectively, or on a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods under SFAS 123. Effective January 1, 2006, the Company has fully adopted the provisions of SFAS No. 123R and related interpretations as provided by SAB 107. As such, compensation cost is measured on the date of the grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company applies this statement prospectively.

New Accounting Pronouncements

In February 2006, the FASB issued FASB Statement No. 155, which is an amendment of FASB Statements No. 133 and 140. This Statement; a) permits fair value remeasurement for any hybrid financial instrument containing an embedded derivative that otherwise would require bifurcation; b) clarifies which interest-only strip and principal-only strip are not subject to the requirements of Statement 133; c) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or hybrid financial instruments containing an embedded derivative requiring bifurcation; d) clarifies concentrations of credit risk in the form of subordination are not embedded derivatives; and e) amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument pertaining to a beneficial interest other than another derivative financial instrument. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

In March 2006, the FASB issued FASB Statement No. 156, which amends FASB Statement No. 140. This Statement establishes, among other things, the accounting for all separately recognized servicing assets and servicing liabilities. This Statement amends Statement 140 to require all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. This Statement permits, but does not require, the subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value. An entity using derivative instruments to mitigate the risks inherent in servicing assets and servicing liabilities is required to account for those derivative instruments at fair value. Under this Statement, an entity may elect subsequent fair value measurement to account for its separately recognized servicing assets and servicing liabilities. By electing that option, an entity may simplify its accounting because this Statement permits income statement recognition of the potential offsetting changes in fair value of those servicing assets and servicing liabilities and derivative instruments in the same accounting period. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Earlier adoption of this Statement is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued any financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

In September 2005, the FASB issued FASB Statement No. 157. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practices. This Statement is effective for financial statements for fiscal years beginning after November 15, 2007. Earlier application is permitted provided that the reporting entity has not yet issued financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

Note 3. Stock-Based Compensation

Prior to the adoption of SFAS No. 123 (R) for 2006 , "Share-Based Payment", Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) encouraged, but did not require, companies to record compensation cost for stock-based employee compensation plans at fair value. Therefore, the Company chose to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25,"Accounting for Stock Issued to Employees," and related interpretations. The Company used the "disclosure only" alternative described in SFAS 123 and SFAS 148, which requires pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied. The following disclosures are not required in the current year due to adoption of SFAS 123R as described in the accounting policies.

Stock Options

The following table summarizes the Company's stock options outstanding at September 30, 2006:

	Shares	Weighted average exercise price
Outstanding and exercisable at December 31, 2005	23,856,018	$ 0.60
Granted	2,137,500	0.86
Exercised	(525,000)	(0.20)
Expired	(230,000)	(1.11)
Outstanding and exercisable at September 30, 2006	25,238,518	$ 0.63

During the nine months ended September 30, 2006, the Company issued 525,000 stock options for services rendered. The options were valued under SFAS 123R. Expense recorded pursuant to such issuances was $109,871. Pursuant to a private placement that occurred during the quarter ended September 30, 2006, there were 1,612,500 non-detachable warrants issued expiring through May 2009.

During 2005, had the Company determined compensation cost based on the fair

value at the grant date for its stock options under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net loss would have been reported as follows:

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Net Loss:		
As reported	$ (1,344,515)	$ (4,076,467)
Pro Forma	$ (1,344,515)	$ (5,406,298)
Basic & diluted loss per common share		
As reported	$ (0.01)	$ (0.03)
Pro Forms	$ (0.01)	$ (0.04)

The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of each individual issuance of options. The per-share weighted average fair value of stock options granted for compensation during the nine months ended September 30, 2006 and 2005 was $0.21 and $0.43, respectively. On the date of grant, using the Black-Scholes pricing model, the following assumptions were used for options granted during the nine (9) months ended September 30, 2006 and 2005:

	September 30, 2006	September 30, 2005
Expected dividend yield	0%	0%
Risk-free interest rate	4.30-5.26%	5%
Volatility	95%	44%

At September 30, 2006, the range of exercise price for all of the Company's outstanding stock options was $0.10 to $1.26, with an average remaining life of 5 years and an average exercise price of $0.63.

Note 4. Shareholders' Deficit

Stock as Compensation and Settlement of Debt

The Company issues stock as compensation for services valuing such issues premised upon the fair market value of the stock. During the nine (9) months ended September 30, 2006 and the year ended December 31, 2005, the Company issued 11,477,138 and 4,267,175 shares, respectively, in connection with the common stock purchase agreement with Fusion Capital and private placements. The gross proceeds for these shares were $4,014,773 and $1,603,740, respectively, for the nine months ended September 30, 2006 and the year ended December 31, 2005.

Authorized Capital Stock

The Company has 250,000,000 authorized shares of common stock and 5,000,000 authorized shares of preferred stock.

The Company completed one (1) private placement during the third quarter: On September 30, 2006, the Company received a qualified subscription for 1,600,000 shares of common stock at a purchase price of $0.25 per share with no warrants for total proceeds equal to $400,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

Introduction - Forward Looking Statements

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the Reform Act), Samaritan Pharmaceuticals, Inc., (the "Company" or "Samaritan") is hereby providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements made herein. Any statements expressing, or involving discussions as to expectations, beliefs, plans, objectives, assumptions of future events or performance are not statements of historical facts and may be forward-looking. These forward-looking statements are based largely on Samaritan's expectations and are subject to a number of risks and uncertainties, including but not limited to, economic, competitive, regulatory, growth strategies, available financing and other factors discussed elsewhere in this report and in documents filed by Samaritan with the SEC. Many of these factors are beyond Samaritan's control. Actual results could differ materially from the forward-looking statements made. In light of these risks and uncertainties, there can be no assurance the results anticipated in the forward-looking information contained in this report will, in fact, occur.

Any forward-looking statement speaks only to the date on which such statement is made, and Samaritan undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors. Nor can management assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

General

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements (unaudited) and the Notes included herein. The information contained below includes statements of Samaritan's or management's beliefs, expectations, hopes, goals and plans that, if not historical, are forward-looking statements subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements.

Overview

Samaritan is a small cap biopharmaceutical company focused on the development of novel therapeutic and diagnostic products. We have devoted substantially all of our resources to undertaking drug discovery and development programs.

The majority of our resources have been expended in the pursuit of Food and Drug

Administration (FDA) required preclinical studies and Phase II/III clinical trials for Samaritan's HIV drug, SP-01A (Sphirewall), an oral entry inhibitor. In a previous Phase I/II study, SP-01A was observed to significantly lower the amount of HIV in the blood, improve quality of life (how well subjects have felt), have a favorable safety profile (minimal side effects) and be well-tolerated. Moreover, in vitro testing of SP-01A: (a) demonstrated comparable or greater efficacy than currently approved anti-HIV drugs in preventing HIV virus replication; (b) was observed to have minimal toxic effect on human cells; and (c) demonstrated significant efficacy in preventing virus replication of HIV virus strains resisting currently approved anti-HIV treatments. The goal of our SP-01A monotherapy study is to look further at the dose response, efficacy and safety of SP-01A as monotherapy, given as a capsule to be swallowed, in the treatment of HIV-infected subjects. We are no longer recruiting patients for this study but are in the process of completing the trial.

In addition, and at the same time, Samaritan has devoted major resources to its Alzheimer's technology, which features: (a) three (3) therapeutics: SP-04, SP-08 and SP-233; (b) two (2) stem cell, neuron differentiation therapies: SP-sc4 and SP-sc7; (c) a predictive Alzheimer's diagnostic; and (d) an Alzheimer's animal model. Samaritan has also devoted resources to its cancer drug, SP-C007, a breast cancer diagnostic and its cholesterol recognition peptide, which plays a role in transforming and binding LDL cholesterol while subsequently raising HDL.

Samaritan has established its European headquarters in Athens, Greece, which we believe will allow access to the markets of Eastern Europe, Asia and Africa, regions with a high proportion of HIV patients and a target population for our most advanced drug, SP-01A. Samaritan Pharmaceuticals Europe ("Samaritan Europe") is currently seeking to build a sales and marketing infrastructure through distribution agreements for niche, high valued products from other companies in the fields of HIV/infectious diseases, CNS, cancer/oncology and cardiovascular diseases for the normally undeveloped regions of Greece, Turkey, Bulgaria, Romania, Croatia, Serbia, Bosnia and Slovenia.

Samaritan Europe: (a) has established a manufacturing arm in Ireland with Pharmaplaz, LTD; (b) plans to develop its pipeline of drugs through clinical trials in preparation for European approval; (c) plans to increase its university research collaborations and (d) plans to apply for applicable European grants.

On November 14, 2006, Samaritan Pharmaceuticals Inc. announced that Samaritan has reached a definitive agreement to acquire all of the stock of Metastatin Pharmaceuticals Inc., a privately held company headquartered in Bethesda, MD. This acquisition marks Samaritan's further expansion into cancer research. The acquisition agreement was signed following its unanimous approval by Samaritan's Board of Directors. The aggregate purchase price payable by Samaritan for Metastatin Pharmaceuticals will be five hundred thousand (500,000) restricted shares of Samaritan Pharmaceuticals common stock. The transaction is expected to close upon approval of Metastatin shareholders. For additional information about the definitive agreement, see exhibit 10.17 of the this Form 10-Q. Metastatin Pharmaceuticals is a development stage biopharmaceutical company engaged in the development of cytostatic and anti-metastatic therapies for the management of cancer. The company is positioned on the cusp of emerging cancer therapeutic strategies focused on controlling tumor progression and metastasis using molecularly targeted compounds.

On November 6 2006, Samaritan Pharmaceuticals Inc. and Samaritan Pharma Ireland, Inc. announced it had submitted an Investigational New Drug (IND) application to evaluate its lead compound Caprospinol (SP-233) as a potentially new and novel

pharmaceutical treatment for Alzheimer's disease. This is an important first step, to test Caprospinol's future in humans, as a potential memory-saving Alzheimer's drug.

Unlike drugs currently used to treat Alzheimer's that just alleviate symptoms, Caprospinol might potentially be a viable treatment for the disease itself. Preclinical studies have shown that Caprospinol targets and binds to the beta-amyloid protein, washing out beta-amyloid plaque from the brain. Today, the beta-amyloid protein is what most researchers believe is the cause of Alzheimer's disease.

Scientists at Samaritan Laboratories, Georgetown University, led the preclinical studies for Caprospinol, while Samaritan's Drug Development executives amassed the seven thousand pages of data to formulate the IND submitted to the FDA. PharmaPlaz, Ireland, Samaritan's collaborative manufacturing partner, led the chemistry, manufacturing and controls (CMC) section of the submitted IND.

Samaritan Pharmaceuticals Inc. also announced that on November 6, 2006, it received a notice from the American Stock Exchange, Inc. (``AMEX'') informing the Company it is not in compliance with certain AMEX continued listing standards. Specifically, the Company is not in compliance with Section 1003(a)(ii) of the Company Guide, that currently requires that we have shareholders' equity of not less than $4,000,000, and losses from continuing operations, and/or net losses in three out of four of its most recent fiscal years; and Section 1003(a)(iii) of the Company Guide with shareholders' equity of not less than $6,000,000, and losses from continuing operations, and/or net losses in its five most recent fiscal years.

In order to maintain our AMEX listing, we are required to submit a plan by December 6, 2006 advising the AMEX of the action the Company is taking, or plans to take in order to regain compliance with the AMEX continuing listing requirements, within 18 months. The Company intends to submit a plan to submit to the AMEX staff prior to December 6, 2006. This plan is subject to the review and approval by AMEX. If we fail to timely submit this plan, AMEX does not accept the plan, or we fail to perform in accordance with the plan, we will be subject to delisting procedures

On Nov. 3, 2006, Samaritan Pharmaceuticals Inc. announced we have received notice of the publication of its novel anti-amyloidal Alzheimer's drug Caprospinol (SP-233) by the World Intellectual Property Organization (``WIPO''). The WIPO Patent Application Number is WO2006107902 and is entitled: USE OF SPIROSTENOLS TO TREAT MITOCHONDRIAL DISORDERS. The publication covers several unique features of Caprospinol's (SP-233) anti-amyloid properties; i.e. protecting neuronal cells against neurotoxicity by protecting mitochondria functions against the toxic effects of beta-amyloid.

On August 29, 2006, Samaritan announced its Alzheimer's research compound Caprospinol (SP-233) demonstrated no toxicity, when administered orally in an Acute Toxicity Study. Preclinical studies suggest Caprospinol (SP-233) exhibits neuroprotective properties against beta- amyloid-induced toxicity which could be indicative of a promising treatment for Alzheimer's disease.

See Caprospinol (SP-233) peer reviewed journal publications on:

http://www.samaritanpharma.com/html/respublications.html

This new study, conducted in animals, supports the previous preclinical assay safety studies where Caprospinol also showed no toxic effects. In this study Caprospinol (SP-233), was given at doses of 1, 3, 10, or 30 mg/kg/day, once

daily, for three consecutive days, in male and female mice, and showed no acute toxicity at the concentrations tested; and the no-observed-effect level (NOEL) was found to be 30 mg/kg, for both male and female mice.

On August 23, 2006, Samaritan announced it is strengthening its business development capability with the promotion of Kristi Eads to Vice President of Business Development. Eads has been with Samaritan since 2000 serving as Vice President of Investor Relations since January 2004. In her former position, Eads was primarily responsible for overseeing all communications with the investment community, public and private. In her new role as Vice President of Business Development, Eads will work with Samaritan's business development team by focusing her efforts on in-licensing and partnering opportunities to grow and advance Samaritan's product pipeline. Eads obtained her juris doctorate from Concord University and has a bachelor of arts from the University of Oregon.

On July 11, 2006, Samaritan announced that its Alzheimer's drug SP-233 (Caprospinol), not only stops amyloid plaque formation in the brain of an animal model for Alzheimer's disease but also shows that treatment with Caprospinol, results in the complete disappearance of amyloid plaques in the brain. This new study, conducted in a rat animal model of Alzheimer's disease and led by Samaritan collaborating researchers at Georgetown University, found that rats exhibiting an Alzheimer's disease-like phenotype treated with a placebo solution retained amyloid plaques formed in the hippocampus and cortex of the brain, whereas, rats treated with Caprospinol found no detectable amyloid plaques. Caprospinol is a novel drug that demonstrates neuroprotective properties in preclinical studies. In-vitro studies have demonstrated that caprospinol directly binds to beta-amyloid peptide, inhibits the formation of neurotoxic amyloid-derived diffusible ligands, and protects the mitochondria function by a direct action of the peptide on the organelle, thus protecting neuronal cells from beta-amyloid-induced toxicity.

On June 26, 2006, Samaritan announced that it is continuing to expand its broad worldwide patent portfolio in support of its proprietary product development programs. The U.S. Patent office has notified Samaritan that it has issued Patent No. 7,056,694 to Samaritan's research collaborator Georgetown University, and Samaritan holds the worldwide exclusive license for this patent through its collaboration. The issued patent identifies peripheral-type benzodiazepine receptor associated proteins, such as PAP7, and its ability to interact with and regulate the function of the peripheral-type benzodiazepine receptor, a key mitochondrial protein involved in steroid biosynthesis, cell proliferation, cancer progression, and Alzheimer's disease pathology.

On June 20, 2006, Samaritan has received a notice of allowance of claims for European patent application No. 99912635.2 which relates to Samaritan's drug SP-1000 for the treatment of cardiovascular disease. Previously, on May 22, 2006, Samaritan announced that its collaborating scientists in two preclinical animal studies found that SP-1000 reduces blood cholesterol, clears clogged arteries of atheroma; raises HDL, the good cholesterol; and lastly, reduces CK enzyme elevation, a marker for heart suffering. The patent will be awarded to Georgetown University and is exclusively licensed to Samaritan.

On, April 3, 2006, Samaritan Pharmaceuticals Europe, S.A. received notification by the National Pharmaceuticals Organization, (EOF) for a new marketing authorization for Amphocil (an amphotericin B cholesteryl sulfate complex for injection indicated for the treatment of invasive aspergillosis, a fungal infection that occurs in immuno-compromised patients). Samaritan In-Licensed from Three Rivers Pharmaceuticals the Greece & Cyprus Marketing Rights for Amphocil. The National Pharmaceutical Organization, (EOF), is the government authority for granting approval to market pharmaceutical and medical products in Greece, similar to the FDA in the United States. Samaritan Europe has submitted all the necessary documents to make a pricing application with the Minister of

Development who issues official prices with the consent of the Minister of Health. Once price approval is obtained, Samaritan will launch the product in the Greek market. Currently, Samaritan Pharmaceuticals Europe is trying to contract with other pharmaceutical companies to sell and distribute niche, high-valued products in the undeveloped regions of Greece, Turkey, Bulgaria, Romania, Croatia, Serbia, Bosnia and Slovenia.

Plan and Results of Operations

We have used the proceeds from private placements of our capital stock, primarily to expand our preclinical and clinical efforts, as well as for general working capital. At this time, we are beginning to commit additional resources to the development of SP-01A, as well as for the development of our other drugs.

Additional details regarding the human trials and INDs the Company plans to file may be found in the section entitled "Description of Business" in the Company's Annual Report on Form 10-K/A filed with the SEC on November 2, 2006 for the fiscal year ended December 31, 2005.

Results of Operations For The Three (3) Months Ended September 30, 2006 As Compared To The Three (3) Months Ended September 30, 2005

15

During the quarter ended September 30, 2006, we incurred research expenditures pursuant to a grant received from the U.S. Department of Health and Human Services. We recognized grant revenue of $10,586, the extent of such qualifying expenditures.

We incurred research and development expenses of $1,053,552 for the three months ended September 30, 2006, as compared to $824,204 for the three months ended September 30, 2005. This increase of $229,348 or twenty-eight percent (28%), was primarily attributable to fluctuations and timing of the costs associated with our Phase IIb HIV clinical trial. We expect research and development expenditures relating to drug discovery and development will increase during the remainder of the 2006 and into subsequent years due to the expanding requirements of FDA clinical trials for: (a) for our HIV drug program; (b) our Alzheimer's drug program; (c) the initiation of trials for other potential indications; and (d) additional study expenditures for potential pharmaceutical candidates. Research and development expenses may fluctuate from period to period, depending upon the stage of certain projects and the level of preclinical testing and clinical trial-related activities.

General and administrative expenses increased to $701,144 for the three months ended September 30, 2006, as compared to $628,357 for the three months ended September 30, 2005. This increase of $72,787 or twelve percent (12%), was primarily attributable to an increase in cost of payroll as offset by decreases in consulting.

Depreciation and amortization amounted to $38,100 for the three months ended September 30, 2006, as compared to $25,534 for the three months ended September 30, 2005. This increase of $12,566, or forty-nine percent (49%), was primarily attributable to amortization on approved patents that began later in 2005.

Net interest income amounted to $(7,622) and $(13,401) for the three (3) months ended September 30, 2006 and 2005, respectively. The credit balance in the interest expense account is attributable to offsetting interest earned from holding our cash in marketable securities and certificates of deposits. Interest income was $7,622 and $14,348, for the three (3) months ended September 30, 2006 and 2005, respectively. Interest expense was $-0- and $947, for the three (3) months ended September 30, 2006 and 2005, respectively.

We had a net loss of $1,774,588 for the three months ended September 30, 2006, as compared to $1,344,515 for the three months ended September 30, 2005. The loss per share was $.01 and $.01 per share, for the three months ended September 30, 2006 and 2005, respectively. The increased net loss of $430,073 or thirty-two percent (32%) relates primarily to increased research expenditures, payroll, and decreased grant revenues.

Results of Operations For The nine (9) Months Ended September 30, 2006 As Compared To The nine (9) Months Ended September 30, 2005

During the nine months ended September 30, 2006, we incurred research expenditures pursuant to a grant received from the U.S. Department of Health and Human Services. We recognized grant revenue of $32,379, the extent of such qualifying expenditures.

We incurred research and development expenses of $3,153,260 for the nine months ended September 30, 2006, as compared to $2,365,103 for the nine months ended September 30, 2005. This increase of $788,157, or thirty-three percent (33%), was primarily attributable to fluctuations and timing of the costs associated with our Phase IIb HIV clinical trial. We expect research and development expenditures relating to drug discovery and development will increase during the remainder of 2006 and into subsequent years due to the expanding requirements of FDA clinical trials for: (a) our HIV drug program; (b) our Alzheimer's drug program; (c) the initiation of trials for other potential indications; and (d) additional study expenditures for potential pharmaceutical candidates. Research and development expenses may fluctuate from period to period, depending upon the stage of certain projects and the level of preclinical testing and clinical trial-related activities.

General and administrative expenses increased to $2,017,875 for the nine months ended September 30, 2006, as compared to $1,844,385 for the nine months ended September 30, 2005. This increase of $173,490 or nine percent (9%), was primarily attributable to an increase in cost of advertising and payroll as offset by decreases in consulting fees.

Depreciation and amortization amounted to $107,922 for the nine months ended September 30, 2006, as compared to $50,286 for the nine months ended September 30, 2005. This increase of $57,636, or one hundred-fifteen percent (115%), was primarily attributable to the inception of amortization on approved patents later in 2005.

Net interest income amounted to $24,136 and $47,878 (reflected as a contra-expense) for the nine (9) months ended September 30, 2006 and 2005, respectively. The credit balance in the interest expense account is attributable to offsetting interest earned from holding our cash in marketable securities and certificates of deposits. Interest income was $24,143 and $49,294, for the nine (9) months ended September 30, 2006 and 2005, respectively. Interest expense was $7 and $1,416.00, for the nine (9) months ended September 30, 2006 and 2005, respectively.

16

We had a net loss of $5,225,702 for the nine months ended September 30, 2006, as compared to $4,076,467 for the nine months ended September 30, 2005. The loss per share was $.04 and $.03 per share, for the nine months ended September 30, 2006 and 2005, respectively. The increased net loss of $1,1449,235 relates primarily to increased research expenditures and decreases in governmental grant revenue.

The net loss since our inception on September 5, 1994 through September 30, 2006

was $38,962,098. We expect losses to continue for the near future, and such losses will likely increase as human clinical trials are undertaken in the United States. Future profitability will be dependent upon our ability to complete the development of our pharmaceutical products, obtain necessary regulatory approvals and effectively market such products. In addition, future profitability will require the Company to establish agreements with other parties for clinical testing, manufacturing, commercialization and sale of its products.

Liquidity and Capital Resources

As of September 30, 2006, the Company's cash position was $2,125,558. We are continuing efforts to raise additional capital and to execute our research and development plans. Even if we are successful in raising sufficient money to carry out these plans, additional clinical development is necessary to bring our products to market, which will require a significant amount of additional capital.

Cash used in operating activities during the nine (9) month period ended September 30, 2006 was $(4,736,059), as compared to $(3,390,771) for the nine month period ended September 30, 2005, an increase of $1,345,288 or forty (40%). This increase is primarily attributable to fluctuations and timing of the cost with our Phase IIb HIV clinical trial and decreases in governmental grant revenue.

Cash provided by investing activities was $327,140 for the nine (9) month period ended September 30, 2006, as compared to cash provided of $402,416 for the nine (9) month period ended September 30, 2005, a decrease of $75,276 or nineteen (19%). Each period reflects proceeds from the liquidation of certificates of deposit offset by investing activity such as the purchase of equipment patent registration costs. There were fewer marketable securities to liquidate during 2006.

Cash provided by financing activities was $6,078,014 for the nine (9) month period ended September 30, 2006, as compared to $1,399,999 for the nine (9) month period ended September 30, 2005, an increase of $4,678,015 or three hundred thirty-four percent (334%). This year's results include proceeds of $2,045,000 from private placements, and $64,500 from exercise of warrants. Furthermore, proceeds from the equity financing agreement increased this year through September 30 by $2,568,515.

Current assets as of September 30, 2006 were $2,461,311 as compared to $1,307,096 as of December 31, 2005. This increase of $1,154,215 or eighty-eight percent (88%), was primarily attributable to the receipt of proceeds from the private placement. Augmenting the private placement funds are the increased proceeds received through our equity financing arrangement with Fusion Capital II, LLC ("Fusion Capital") as offset by the increased research expenditures. Current liabilities as of September 30, 2006 were $672,495 as compared to $562,060 as of December 31, 2005, an increase of $110,435, primarily in accrued compensation.

On April 22, 2003, the Company entered into a common stock purchase agreement ("Purchase Agreement I") with Fusion Capital, pursuant to which Fusion Capital has agreed to purchase shares of our common stock from time to time at the Company's option up to an aggregate amount of $10,000,000. The SEC declared effective the Company's registration statement on Form SB-2, Commission Registration No. 333-105818 on October 9, 2003.

On May 12, 2005, we entered into a common stock purchase agreement ("Purchase Agreement II") with Fusion Capital, pursuant to which Fusion Capital has agreed to purchase our common stock from time to time, at our option, up to an aggregate amount of $40,000,000 over fifty (50) months commencing on the date

the SEC declared effective our registration statement covering the shares of common stock to be purchased by Fusion Capital pursuant to such Purchase Agreement II. On December 29, 2005 (Commission Registration No. 333-130356), the registration statement on Form SB-2 was declared effective by the SEC. The number of registered, yet not issued shares remaining under that registration statement as of September 30, 2006, was 3,975,242.

The Company's dependence on raising additional capital will continue, at least, until it is able to commercially market one (1) of its products at significant sales level. Depending on profit margins and other factors, the Company may still need additional funding to continue research and development efforts. The Company's future capital requirements and the adequacy of its financing depend upon numerous factors including: the successful commercialization of the Company's drug candidates, progress in its product development efforts, progress with preclinical studies and clinical trials, the cost and timing of production arrangements, the development of effective sales and marketing activities, the cost of filing, prosecuting, defending and enforcing intellectual property rights, competing technological and market developments, and the development of strategic alliances for the marketing of its products.

We do not believe debt financing from financial institutions will be available until at least one (1) of our products is approved for commercial production. To date, we have in licensed one drug (Amphocil) that has reached commercial stage, and hence, we do anticipate revenue in the near future. We have been unprofitable since our inception and have incurred significant losses. We will continue to have significant general and administrative expenses, including expenses related to clinical studies, our research collaboration with Georgetown University and patent registration costs. We have funded our operations through a series of private placements and purchase agreements with Fusion Capital, which we believe will assist the Company in meeting its cash needs over the next 12 months. Except for our Purchase Agreements with Fusion Capital, no commitment exists for continued investments, or for any underwriting.

Even with our financing arrangements with Fusion Capital (as discussed above), we may require substantial additional funds to sustain our operations and to grow our business. The amount will depend, among other things, on (a) the rate of progress and cost of our research and product development programs and clinical trial activities; (b) the cost of preparing, filing, prosecuting, maintaining and enforcing patent claims and other intellectual property rights; and (c) the cost of developing manufacturing and marketing capabilities, if we decide to undertake those activities. The clinical development of a therapeutic product is a very expensive and lengthy process which may be expected to utilize $5 to $20 million over a three (3) to six (6) year development cycle. Although we believe we could license the manufacturing and marketing rights to our products in return for up-front licensing and other fees and royalties on any sales, there can be no assurance we will be able to do so in the event we seek to do so. We need to obtain additional funds to develop our therapeutic products and our future access to capital is uncertain. The allocation of limited resources is an ongoing issue for us as we move from research activities into the more costly clinical investigations required to bring therapeutic products to market.

The extent to which we rely on Fusion Capital as a source of funding will depend on a number of factors, including the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources. Even if we are able to access the full amounts under Purchase Agreement II with Fusion Capital, we may still need additional capital to fully implement our business, operating and development plans. If we are unable to obtain additional financing, we might be required to delay, scale back or eliminate

selected research and product development programs or clinical trials, or be required to license third parties to commercialize products or technologies that we would otherwise undertake ourselves, or cease certain operations all together. However, any of these options might have a material adverse effect upon the Company. If we raise additional funds by issuing equity securities, dilution to stockholders may result, and new investors could have rights superior to existing holders of shares. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences would have a material adverse effect on our business, operating results, financial condition and prospects.

We have been able to meet our cash needs during the past twelve (12) months through a combination of funds received through private placements and funds received under the Purchase Agreements. We intend to continue to explore avenues to obtain the capital needed for our operations through private placements and by the sale of our shares to Fusion Capital.

Quantitative and Qualitative Information About Market Risk

We do not engage in trading market-risk sensitive instruments and do not purchase hedging instruments or "other than trading" instruments likely to expose us to market risk, whether interest rates, foreign currency exchange, commodity price or equity price risk. We have no outstanding debt instruments, have not entered into any forward or future contracts, have purchased no options, and entered into no swaps. We have no credit lines or other borrowing facilities, and do not view ourselves as subject to interest rate fluctuation risk at the present time.

Exchange Risk

We are a multinational business operating in a number of countries with the U.S. dollar as the primary currency in which we conduct business. The U.S. dollar is used for planning and budgetary purposes and as the presentation currency for financial reporting. We do, however, have costs, assets and liabilities denominated in currencies other than U.S. dollars. Consequently, we may enter into derivative financial instruments to manage our non-U.S. dollar foreign exchange risk. We may use derivative financial instruments primarily to reduce exposures to market fluctuations in foreign exchange rates. We do not enter into derivative financial instruments for trading or speculative purposes. All derivative contracts entered into will be in liquid markets with credit-approved parties. The treasury function operates within strict terms of reference that have been approved by our board of directors (the "Board").

The U.S. dollar is the base currency against which all identified transactional foreign exchange exposures are managed and hedged. The principal risks to which we are exposed are movements in the exchange rates of the U.S. dollar against the Euro. The main exposures are net costs in Euro arising from a manufacturing and research presence in Ireland, the sourcing of raw materials in European markets and marketing and sales in South Eastern Europe.

Recently Issued Accounting Standards

In February 2006, the FASB issued FASB Statement No. 155, which is an amendment of FASB Statements No. 133 and 140. This Statement: a) permits fair value remeasurement for any hybrid financial instrument containing an embedded derivative that otherwise would require bifurcation; b) clarifies which interest-only strip and principal-only strip are not subject to the requirements of Statement 133; c) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding

derivatives or hybrid financial instruments containing an embedded derivative requiring bifurcation; d) clarifies concentrations of credit risk in the form of subordination are not embedded derivatives; and e) amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument pertaining to a beneficial interest other than another derivative financial instrument. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Earlier adoption of this Statement is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued any financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

In March 2006, the FASB issued FASB Statement No. 156, which amends FASB Statement No. 140. This Statement establishes, among other things, the accounting for all separately recognized servicing assets and liabilities. This Statement amends Statement 140 to require all separately recognized servicing assets and liabilities be initially measured at fair value, if practicable. This Statement permits, but does not require, the subsequent measurement of separately recognized servicing assets and liabilities at fair value. An entity using derivative instruments to mitigate the risks inherent in servicing assets and liabilities is required to account for those derivative instruments at fair value. Under this Statement, an entity can elect subsequent fair value measurement to account for its separately recognized servicing assets and liabilities. By electing that option, an entity may simplify its accounting because this Statement permits income statement recognition of the potential offsetting changes in fair value of those servicing assets and liabilities and derivative instruments in the same accounting period. This Statement is effective for financial statements for fiscal years beginning after September 15, 2006. Earlier adoption of this Statement is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued any financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

Opinion 20 previously required most voluntary changes in accounting principles be recognized by including in the net income of the period of change the cumulative effect of changing to the new accounting principle. This Statement requires retrospective application to the prior periods' financial statements of changes in the accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior period presented, this Statement requires the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this Statement requires the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. This Statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not believe that the adoption of SFAS 154 will have a significant effect on its financial statements.

Other accounting standards issued or proposed by the FASB, or other standards-setting bodies, that do not require adoption until a future date, are not expected to have a material impact on the consolidated financial statements upon adoption.

ITEM 3. CONTROLS AND PROCEDURES

(A) Evaluation of Disclosure Controls And Procedures

As of the end of the period covered by this Quarterly Report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Principal Executive Officer and Principal Accounting and Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. The Company's Principal Executive Officer and Principal Accounting and Financial Officer have concluded the Company's disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the period covered. In addition, the Company reviewed its internal controls, and there have been no significant changes in its internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation or from the end of the reporting period to the date of this Quarterly Report on Form 10-Q.

(B) Changes in Internal Controls Over Financial Reporting

In connection with the evaluation of the Company's internal controls during the Company's last fiscal quarter covered by this Quarterly Report, the Company's Principal Executive Officer and Principal Accounting and Financial Officer have determined there are no changes to the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially effect, the Company's internal controls over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are, from time to time, involved in various legal proceedings in the ordinary course of our business. While it is impossible to predict accurately or to determine the eventual outcome of these matters, the Company believes the outcome of these proceedings will not have a material adverse effect on the financial statements of the Company.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below before purchasing our common stock ("Common Stock"). Our most significant risks and uncertainties are described below; however, they are not the only risks we face. If any of the following risks actually occur, our business, financial condition, or results or operations could be materially adversely affected, the trading of our Common Stock could decline, and you may lose all or part of your investment therein. You should acquire shares of our Common Stock only if you can afford to lose your entire investment.

We Have A Limited Operating History With Significant Losses And Expect Losses To Continue For The Foreseeable Future

We have yet to establish any history of profitable operations. We had a net loss of $5,225,702 for the nine months ended September 30, 2006, as compared to $4,076,467 for the nine months ended September 30, 2005. The net loss since our inception on September 5, 1994 through September 30, 2006 was $38,962,098. Our revenues have not been sufficient to sustain our operations. We expect that our revenues will not be sufficient to sustain our operations for the near future. Our profitability will require the successful commercialization of one or more of drugs for AIDS, Alzheimer's, Cancer and Cardiovascular disease. No assurances

can be given when this will occur or that we will ever be profitable.

We Will Require Additional Financing To Sustain Our Operations And Without It We Will Not Be Able To Continue Operations

We do not currently have sufficient financial resources to fund our operations. Current assets as of September 30, 2006 were $2,461,311 as compared to $1,307,096 as of December 31, 2005. Therefore, we need additional funds to continue operations.

We only have the right to receive $40,000 per trading day under the Purchase Agreement II with Fusion Capital unless our stock price equals or exceeds $1.50 per share, in which case the daily amount may be increased under certain conditions as the price of our Common Stock increases. Since we have 16,700,000 registered shares to be offered for sale from time to time by Fusion Capital, the selling price of our Common Stock to Fusion Capital will have to average at least $2.67 per share for us to receive the maximum proceeds of $40,000,000 without registering additional shares of Common Stock. Assuming a purchase price of $0.31 per share (the last reported market sale price of our Common Stock on September 29, 2006) and the purchase by Fusion Capital of the remaining 3,975,342 shares under the Purchase Agreement II as of September 30, 2006 (excluding the 1,700,000 shares previously issued as a commitment fee), proceeds to us would only be $1,232,356 unless we choose to register more than 15,000,000 shares, which we have the right, but not the obligation, to do. Subject to approval by our Board of Directors, we have the right but not the obligation to issue more than 15,000,000 shares to Fusion Capital. In the event we elect to issue more than 15,000,000 shares, we will be required to file a new registration statement and have it declared effective by the SEC. In order to be in compliance with the rules and regulations of the American Stock Exchange, the Company would be required to obtain shareholder approval to sell more than 26,643,192 shares of our Common Stock (i.e., 19.9% of our issued and outstanding shares as of May 12, 2005, the date of the Purchase Agreement II).

To the extent we rely on Fusion Capital as a source of funding will depend on a number of factors including, the prevailing market price of our Common Stock and the extent to which we are able to secure working capital from other sources. Specifically, Fusion Capital shall not have the right or the obligation to purchase any shares of our Common Stock on any trading days that the market price of our Common Stock is less than $0.25. If obtaining sufficient financing from Fusion Capital were to prove unavailable or prohibitively dilutive, we will need to secure another source of funding in order to satisfy our working capital needs. Even if we are able to access the full $40,000,000 under the Purchase Agreement II, we may still need additional capital to fully implement our business, operating and development plans. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences would have a material adverse effect on our business, operating results, financial condition and prospects.

We Have An Accumulated Deficit

The Company had an accumulated deficit of $38,962,098 as of September 30, 2006. Since the Company presently has no source of revenues and is committed to continuing its product research and development program, significant expenditures and losses will continue until development of new products is completed and such products have been clinically tested, approved by the FDA and successfully marketed. In addition, the Company has funded its operations primarily through the sale of Company securities, its working capital for its product development and other activities. We do not believe that debt financing

from financial institutions will be available until at least the time that one of our products is approved for commercial production.

We Have A Limited Amount of Revenues Or Profits

The Company has devoted its resources to developing a new generation of therapeutic drug products, but such products cannot be marketed until clinical testing is completed and governmental approvals have been obtained. Accordingly, there is a small amount of revenue from grants, much less profits, to sustain the Company's present activities. A substantial amount of revenue will not likely be available until, and unless, the new products are clinically tested, approved by the FDA and successfully marketed, either by the Company or a marketing partner, an outcome the Company is not able to guarantee.

The Sale Of Our Common Stock To Fusion Capital May Cause Dilution And The Sale Of The Shares Of Common Stock Acquired By Fusion Capital Could Cause The Price Of Our Common Stock To Decline

The purchase price for the Common Stock to be sold to Fusion Capital pursuant to the Purchase Agreement II will fluctuate based on the price of our Common Stock. Fusion Capital may sell none, some or all of the shares of Common Stock purchased from us at any time. Depending upon market liquidity at the time, a sale of shares at any given time could cause the trading price of our Common Stock to decline. The sale of a substantial number of shares of our Common Stock under the offering, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price when we might otherwise wish to effect sales.

The sale of shares to Fusion Capital pursuant to the Purchase Agreement II will have a dilutive impact on our shareholders. The sale of shares may result in our net income per share decreasing in future periods, and the market price of our Common Stock could decline. In addition, the lower our stock price is, the more shares of Common Stock we will have to issue under the Purchase Agreement II to draw down the full amount. If our stock price is lower, then our existing shareholders would experience greater dilution.

Existing Shareholders Will Experience Significant Dilution From Our Sale Of Shares Under The Purchase Agreement II With Fusion Capital And Any Other Equity Financing

The sale of shares pursuant to the Purchase Agreement II with Fusion Capital or any other future equity financing transaction will have a dilutive impact on our shareholders. As a result, our net loss per share could decrease in future periods, and the market price of our Common Stock could decline. In addition, the lower our stock price is, the more shares of Common Stock we will have to issue under the Purchase Agreement II in order to draw down the full amount. If our stock price is lower, then our existing shareholders would experience greater dilution. We cannot predict the actual number of shares of Common Stock that will be issued pursuant to the Purchase Agreement II or any other future equity financing transaction, in part, because the purchase price of the shares will fluctuate based on prevailing market conditions and we do not know the exact amount of funds we will need.

The Market Price of Our Common Stock Is Highly Volatile, Which Could Hinder Our Ability to Raise Additional Capital

The market price of our Common Stock has been and is expected to continue to be highly volatile. Factors, including regulatory matters, concerns about our financial condition, operating results, litigation, government regulation,

developments or disputes relating to agreements, title to our properties or proprietary rights, may have a significant impact on the market price of our stock. The range of the high and low bid prices of our Common Stock over the last calendar year ending on October 31, 2006 has been between $0.26 and $0.91. In addition, potential dilutive effects of future sales of shares of Common Stock by shareholders and by the Company, and subsequent sale of Common Stock by the holders of warrants and options could have an adverse effect on the price of our securities, which could hinder our ability to raise additional capital to fully implement our business, operating and development plans.

Penny Stock Regulations Affect Our Stock Price, Which May Make It More Difficult For Investors to Sell Their Stock

Broker-dealer practices in connection with transactions in penny stocks are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, providing current price and volume information, with respect to transactions in such securities is released by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that furnishes information about penny stocks and the risks in the penny stock market. The broker-dealer must also supply the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Our securities are subject to the penny stock rules, and investors may find it more difficult to sell their securities.

It Is Uncertain That The Company Will Have Access To Future Capital Or Government Grants

It is not expected that the Company will generate positive cash flow from operations for at least the next several years. As a result, substantial additional equity or debt financing or the receipt of one or more government grants for research and development and/or clinical development will be required to fund our activities. We cannot be certain that we will be able to consummate any such financing on favorable terms, if at all, or receive any such government grants or that such financing or government grants will be adequate to meet our capital requirements. Any additional equity financing could result in substantial dilution to shareholders, and debt financing, if available, will most likely involve restrictive covenants which preclude the Company from making distributions to shareholders and taking other actions beneficial to shareholders. If adequate funds are not available, the Company may be required to delay or reduce the scope of our drug development program or attempt to continue development by entering into arrangements with collaborative partners or others that may require the Company to relinquish some or all of our rights to proprietary drugs. The inability to fund our capital requirements would have a material adverse effect on the Company.

The Company Is Not Certain That It Will Be Successful In The Development Of Its Drug Candidates

The successful development of any new drug is highly uncertain and is subject to a number of significant risks. Our drug candidates, all of which are in a development stage, require significant, time-consuming and costly development, testing and regulatory clearance. This process typically takes several years and can require substantially more time. Risks include, among others, the possibility that a drug candidate will: (a) be found to be ineffective or unacceptably toxic, (b) have unacceptable side effects, (c) fail to receive necessary regulatory clearances, (d) not achieve broad market acceptance, (e) be subject to competition from third parties who may market equivalent or superior products or (f) be affected by third parties holding proprietary rights that will preclude the Company from marketing a drug product. There can be no assurance that the development of drug candidates will demonstrate the efficacy and safety of a drug candidate as a therapeutic drug, or, even if demonstrated, that there will be sufficient advantages to its use over other drugs or treatments so as to render the drug product commercially viable. In the event the Company is not successful in developing and commercializing one or more drug candidates, investors are likely to realize a loss of their entire investment.

Positive Results In Preclinical And Early Clinical Trials Do Not Ensure Future Clinical Trials Will Be Successful Or Drug Candidates Will Receive Any Necessary Regulatory Approvals For The Marketing, Distribution Or Sale Of Such Drug Candidates.

Success in preclinical and early clinical trials does not ensure that large-scale clinical trials will be successful. Clinical results are frequently susceptible to varying interpretations, delaying, limiting or preventing regulatory approvals. The length of time necessary to complete clinical trials and submit an application for marketing approval for a final decision by a regulatory authority varies significantly and may be difficult to predict.

The Company Will Face Intense Competition From Other Companies In The Pharmaceutical Industry

The Company is engaged in a segment of the pharmaceutical industry that is highly competitive and rapidly changing. If successfully developed and approved, any of our drug candidates will likely compete with several existing therapies. In addition, other companies are pursuing the development of pharmaceuticals that target the same diseases as are targeted by the drugs being developed by the Company. We anticipate that we will face intense and increasing competition in the future as new products enter the market and advanced technologies become available. We cannot guarantee existing products or new products developed by competitors will not be more effective, or more effectively marketed and sold than those by the Company. Competitive products may render our drugs obsolete or noncompetitive prior to the Company's recovery of development and commercialization expenses.

Many of our competitors also have significantly greater financial, technical and human resources and will likely be better equipped to develop, manufacture and market products. In addition, many of these competitors have extensive experience in preclinical testing and clinical trials, obtaining FDA and other regulatory approvals and manufacturing and marketing pharmaceutical products. A number of these competitors also have products that have been approved or are in late-stage development and operate large, well-funded research and development programs. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and biotechnology companies. Furthermore, academic institutions, government agencies and other public and private research organizations are becoming increasingly aware of the commercial value of their inventions and are actively seeking to

commercialize the technology they have developed. Accordingly, competitors may succeed in commercializing products more rapidly or effectively than the Company, which would have a material adverse effect on the Company.

There Is No Assurance That Our Products Will Have Market Acceptance

The success of the Company will depend in substantial part on the extent to which a drug product, once approved, achieves market acceptance. The degree of market acceptance will depend upon a number of factors, including (a) the receipt and scope of regulatory approvals, (b) the establishment and demonstration in the medical community of the safety and efficacy of a drug product, (c) the product's potential advantages over existing treatment methods and (d) reimbursement policies of government and third party payers. We cannot predict or guarantee physicians, patients, healthcare insurers, maintenance organizations, or the medical community in general, will accept or utilize any drug product of the Company.

Health care reimbursement for any of our products is uncertain. Moreover, the unavailability of health care reimbursement for any of our products will likely adversely impact our ability to effectively market such products.

Our ability to commercialize our technology successfully will depend in part on the extent to which reimbursement for the costs of such products and related treatments will be available from government health administration authorities, private health insurers and other third-party payors. Significant uncertainty exists as to the reimbursement status of newly-approved medical products. We cannot guarantee adequate third-party insurance coverage will be available to establish and maintain price levels sufficient for realization of an appropriate return on investments in developing new therapies. Government, private health insurers, and other third-party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products approved for marketing by the FDA. Accordingly, even if coverage and reimbursement were provided by government, private health insurers, and third-party payers for uses of the Company's products, the market acceptance of these products would be adversely affected if the amount of reimbursement available proved to be unprofitable for health care providers.

Uncertainties Related To Health Care Reform Measures May Affect The Company's Success

There have been a number of federal and state proposals during the last few years to subject the pricing of health care goods and services, including prescription drugs, to government control and to make other changes to the U.S. health care system. It is uncertain which legislative proposals will be adopted or what actions federal, state, or private payors for health care treatment and services may take in response to any health care reform proposals or legislation. We cannot predict the effect health care reforms may have on our business, and there is no guarantee any such reforms will not have a material adverse effect on the Company.

Further Testing Of Our Drug Candidates Will Be Required And There Is No Assurance Of FDA Approval

The FDA and comparable agencies in foreign countries impose substantial requirements upon the introduction of medical products, through lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. Satisfaction of these requirements typically takes several years or more and varies substantially based upon the type, complexity, and novelty of the product.

The effect of government regulation and the need for FDA approval will delay marketing of new products for a considerable period of time, impose costly

procedures upon the Company's activities, and provide an advantage to larger companies considered competitors of the Company. There can be no assurance that FDA or other regulatory approval for any products developed by the Company will be granted on a timely basis or at all. Any such delay in obtaining or failure to obtain, such approvals would materially and adversely affect the marketing of any contemplated products and the ability to earn product revenue. Further, regulation of manufacturing facilities by state, local, and other authorities is subject to change. Any additional regulation could result in limitations or restrictions on our ability to utilize any of its technologies, thereby adversely affecting the Company's operations.

Human pharmaceutical products are subject to rigorous preclinical testing, clinical trials, and other approval procedures mandated by the FDA and foreign regulatory authorities. Various federal and foreign statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of pharmaceutical products. The process of obtaining these approvals and the subsequent compliance with appropriate U.S. and foreign statutes and regulations is time-consuming and require the expenditure of substantial resources. In addition, these requirements and processes vary widely from country to country.

Among the uncertainties and risks of the FDA approval process are the following: (a) the possibility that studies and clinical trials will fail to prove the safety and efficacy of the drug, or that any demonstrated efficacy will be so limited as to significantly reduce or altogether eliminate the acceptability of the drug in the marketplace, (b) the possibility that the costs of development, which can far exceed the best of estimates, may render commercialization of the drug marginally profitable or altogether unprofitable and (c) the possibility that the amount of time required for FDA approval of a drug may extend for years beyond that which is originally estimated. In addition, the FDA or similar foreign regulatory authorities may require additional clinical trials, which could result in increased costs and significant development delays. Delays or rejections may also be encountered based upon changes in FDA policy and the establishment of additional regulations during the period of product development and FDA review. Similar delays or rejections may be encountered in other countries.

The Company's Success Will Be Dependent Upon The Licenses And Proprietary Rights It Receives From Other Parties, And On Any Patents It May Obtain

Our success will depend in large part on the ability of the Company and its licensors to (a) maintain license and patent protection with respect to their drug products, (b) defend patents and licenses once obtained, (c) maintain trade secrets, (d) operate without infringing upon the patents and proprietary rights of others and (e) obtain appropriate licenses to patents or proprietary rights held by third parties if infringement should otherwise occur, both in the United States and in foreign countries. We have obtained licenses to patents and other proprietary rights from Georgetown University.

The patent positions of pharmaceutical companies, including those of the Company, are uncertain and involve complex legal and factual questions. There is no guarantee the Company or its licensors have or will develop or obtain the rights to products or processes that are patentable, that patents will issue from any of the pending applications or that claims allowed will be sufficient to protect the technology licensed to the Company. In addition, we cannot be certain that any patents issued to or licensed by the Company will not be challenged, invalidated, infringed or circumvented, or that the rights granted thereunder will provide competitive disadvantages to the Company.

Litigation, which could result in substantial cost, may also be necessary to enforce any patents to which the Company has rights, or to determine the scope, validity and unenforceability of other parties' proprietary rights, which may affect the rights of the Company. U.S. patents carry a presumption of validity and generally can be invalidated only through clear and convincing evidence. There can be no assurance that our licensed patents would be held valid by a court or administrative body or an alleged infringer would be found to be infringing. The mere uncertainty resulting from the institution and continuation of any technology-related litigation or interference proceeding could have a material adverse effect on the Company pending resolution of the disputed matters.

We may also rely on unpatented trade secrets and expertise to maintain our competitive position, which we seek to protect, in part, by confidentiality agreements with employees, consultants and others. There can be no assurance these agreements will not be breached or terminated, that we will have adequate remedies for any breach or that trade secrets will not otherwise become known or be independently discovered by competitors.

The Company's License Agreements May Be Terminated In The Event Of A Breach

The license agreements pursuant to which the Company has licensed its core technologies for its potential drug products permit the licensors, including Georgetown University, to terminate such agreements under certain circumstances, such as the failure by the licensee to use its reasonable best efforts to commercialize the subject drug or the occurrence of any uncured material breach by the licensee. The license agreements also provide that the licensor is primarily responsible for obtaining patent protection for the licensed technology, and the licensee is required to reimburse the licensor for costs it incurs in performing these activities. The license agreements also require the payment of specified royalties. Any inability or failure to observe these terms or pay these costs or royalties may result in the termination of the applicable license agreement in certain cases. The termination of any license agreement would have a material adverse effect on the Company.

Protecting Our Proprietary Rights Is Difficult and Costly

The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions. Accordingly, we cannot predict the breadth of claims allowed in these companies' patents or whether the Company may infringe or be infringing on these claims. Patent disputes are common and could preclude the commercialization of our products. Patent litigation is costly in its own right and could subject us to significant liabilities to third parties. In addition, an adverse decision could force us to either obtain third-party licenses at a material cost or cease using the technology or product in dispute.

The Company's Success Is Dependent On Our Key Personnel

The Company is dependent on a small management group and on independent researchers, some of whom are inventors of the patents licensed to the Company for core technologies and drugs developed at Georgetown University. Scientific personnel may from time to time serve as consultants to the Company and may devote a portion of their time to the Company's business, as well as continue to devote substantial time to the furtherance of the Company's sponsored research at Georgetown University and at other affiliated institutions, as may be agreed to in the future. Such personnel are not employees of the Company and are not bound under written employment agreements. The services of such persons are important to the Company, and the loss of any of these services may adversely

affect the Company.

Our success is dependent upon the continued services and performance of Dr. Janet Greeson, our Chief Executive Officer, President and Chairman of the Board of Directors, and Dr. Vassilios Papadopoulos, Chief Scientist of the Science of Technology Advisory Committee and our Key Consultant. We do not maintain key man insurance on either of these individuals. We are currently negotiating a written employment agreement with Dr. Greeson and have a consulting arrangement with Dr. Papadopoulos. The loss of their services could delay our product development programs and our research and development efforts at Georgetown University. In addition, the loss of Dr. Greeson is grounds for our Research Collaboration with Georgetown University to terminate. In addition, competition for qualified employees among companies in the biotechnology and biopharmaceutical industry is intense and we cannot be assured that we would be able to recruit qualified personnel on commercially acceptable terms, or at all, to replace them.

We May Be Unable To Retain Skilled Personnel And To Maintain Key Relationships

The success of our business depends, in large part, on our ability to attract and retain highly qualified management, scientific and other personnel, and on our ability to develop and maintain important key relationships with leading research institutions, consultants and advisors. Competition for these types of personnel and relationships is intense from numerous pharmaceutical and biotechnology companies, universities and other research institutions. There can be no assurance that we will be able to attract and retain such individuals on commercially acceptable terms or at all, and the failure to do so would have a material adverse effect on the Company.

We Have Sales or Marketing Capabilities to Cover Our Currently Approved Products

Depending on the drug product that is in-licensed or developed through our own pipeline, the company may have to increase its sales force or rely on marketing partners or other arrangements with third parties for marketing, distribution and sale of any drug product that is ready for distribution. There is no guarantee that we will establish marketing, distribution or sales capabilities or arrange with third parties to perform those activities on terms satisfactory to the Company, or that any internal capabilities or third party arrangements will be cost-effective.

In addition, any third parties with which the Company may establish marketing, distribution or sales arrangements may have significant control over important aspects of the commercialization of a drug product, including market identification, marketing methods, pricing, composition of sales force and promotional activities. There can be no assurance the Company will be able to control the amount and timing of resources that any third party may devote to the products of the Company or prevent any third party from pursuing alternative technologies or products that could result in the development of products that compete with, and/or the withdrawal of support for, the products of the Company.

The Company Does Not Have Internal Manufacturing Capabilities And May Not Be Able To Develop Efficient Manufacturing Capabilities Or Contract For Such Services From Third Parties, Such As Pharmaplaz, LTD, On Commercially Acceptable Terms

We do not have any manufacturing capacity. When required, we will seek to establish relationships with third party manufacturers for the manufacture of clinical trial material and the commercial production of a drug product just as we have with Pharmaplaz, LTD in Ireland. There can be no assurance that we will be able to establish relationships with third party manufacturers on

commercially acceptable terms or that third party manufacturers will be able to manufacture a drug product on a cost-effective basis in commercial quantities under good manufacturing practices as mandated by the FDA.

The dependence upon third parties for the manufacture of products may adversely affect future costs and the ability to develop and commercialize a drug product on a timely and competitive basis. Further, there can be no assurance that manufacturing or quality control problems will not arise in connection with the manufacture of the drug product or that third party manufacturers will be able to maintain the necessary governmental licenses and approvals to continue manufacturing such products. Any failure to establish relationships with third parties for its manufacturing requirements on commercially acceptable terms would have a material adverse effect on the Company.

The Company Does Not Have Its Own Research Facilities and Will Be Dependent On Third Parties For Drug Development Which Could Subject Us To Product Liability Claims

We do not have our own research and development facilities and engage consultants and independent contract research organizations to design and conduct clinical trials in connection with the development of a drug. As a result, these important aspects of a drug's development will be outside the direct control of the Company. In addition, there can be no assurance that such third parties will perform all of their obligations under arrangements with the Company or will perform those obligations satisfactorily.

In the future, we anticipate that we will need to obtain additional or increased product liability insurance coverage and it is uncertain that such increased or additional insurance coverage can be obtained on commercially reasonable terms.

The business of the Company will expose us to potential product liability risks inherent in the testing, manufacturing and marketing of pharmaceutical products. There can be no assurance that product liability claims will not be asserted against the Company. We intend to obtain additional limited product liability insurance for our clinical trials, directly or through its marketing development partners or CRO (Contract Research Organization) partners, when they begin in the U.S. and to expand our insurance coverage if and when the Company begins marketing commercial products. However, there can be no assurance the Company will be able to obtain product liability insurance on commercially acceptable terms or the Company will be able to maintain such insurance at a reasonable cost or in sufficient amounts to protect against potential losses. A successful product liability claim or series of claims brought against the Company could have a material adverse effect on the Company.

Insurance Coverage Is Increasingly More Difficult To Obtain or Maintain

Obtaining insurance for our business, property and products is increasingly more costly and narrower in scope, and we may be required to assume more risk in the future. If we are subject to third party claims or suffer a loss or damage in excess of our insurance coverage, we may be required to share that risk in excess of our insurance limits. Furthermore, any first-or-third-party claims made on any of our insurance policies may impact our ability to obtain or maintain insurance coverage at reasonable costs or at all in the future.

The Market Price of Our Shares, Like That Of Many Biotechnology Companies, Is Highly Volatile

Market prices for our Common Stock and the securities of other medical and biomedical technology companies have been highly volatile and may continue to be highly volatile in the future. Factors such as announcements of technological innovations or new products by the Company or its competitors, government regulatory action, litigation, patent or proprietary rights developments and market conditions for medical and high technology stocks in general can have a significant impact on any future market for our Common Stock.

We Are Not Paying Dividends On Our Common Stock

The Company has never paid cash dividends on its Common Stock and does not intend to do so in the near future.

The Issuance of More Common Shares Or Our Preferred Stock May Adversely Affect Our Common Stock

The Board of Directors is authorized to issue additional shares of Common Stock and to designate one (1) or more series of preferred stock and to fix the rights, preferences, privileges and restrictions thereof. The designation and issuance of such shares of our preferred stock may adversely affect the Common Stock if the rights, preferences and privileges of such preferred stock (a) restrict the declaration or payment of dividends on our Common Stock, (b) dilute the voting power of our Common Stock, (c) impair the liquidation rights of our Common Stock or (d) delay or prevent a change in control of the Company from occurring, among other possibilities.

Under Provisions Of The Company's Articles Of Incorporation, Bylaws And Nevada Law, The Company's Management May Be Able To Block Or Impede A Change In Control

The issuance of preferred stock may make it more difficult for a third party to acquire, or may discourage a third party from acquiring, a majority of our voting stock. These and other provisions in our Articles of Incorporation (restated as last amended June 10, 2005) and in our Bylaws (restated as last amended April 18, 2005), as well as certain provisions of Nevada law, could delay or impede the removal of incumbent Directors and could make it more difficult to effect a merger, tender offer or proxy contest involving a change of control of the Company, even if such events could be beneficial to the interest of the shareholders as a whole. Such provisions could limit the price that certain investors might be willing to pay in the future for our Common Stock.

Officers and Directors Liabilities Are Limited Under Nevada Law

Pursuant to the Company's Articles of Incorporation (restated as last amended June 10, 2005) and Bylaws (restated as last amended April 18, 2005), and as authorized under applicable Nevada law, Directors are not liable for monetary damages for breach of fiduciary duty, except in connection with a breach of the duty of loyalty for (a) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (b) for dividend payments or stock repurchases illegal under applicable Nevada law or (c) any transaction in which a Director has derived an improper personal benefit. The Company's Articles of Incorporation (restated as last amended June 10, 2005) and Bylaws (restated as last amended April 18, 2005) provide that the Company must indemnify its officers and Directors to the fullest extent permitted by applicable Nevada law for all expenses incurred in the settlement of any actions against such persons in connection with their having served as officers or Directors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Securities Unregistered, were sold by the Company in the third quarter of 2006 under an exemption from registration. These shares of common stock were sold for cash, unless otherwise noted in this section, and were sold in private transactions to persons believed to be of a class of private investors acting on their own comprised of accredited investors (as such term is defined in Regulation D of the SEC) and a limited number of non-accredited investors. All investors, to the best knowledge of the Company, are not affiliated with the Company and purchased the shares with apparent investment intent. The Company relied upon, among other possible exemptions, Section 4(2) of the Securities Act of 1933 (the "Securities Act"), as amended. Its reliance on said exemption was based upon the fact no public solicitation was used by the Company in the offer or sale, and the securities were legended shares, along with a notation at the respective transfer agent, restricting the shares from sale or transfer as is customary with reference to Rule 144 of the Securities Act.

The Company completed one (1) private placement during the third quarter: On September 30, 2006, the Company received a qualified subscription for 1,600,000 shares of common stock at a purchase price of $0.25 per share with no warrants for total proceeds equal to $400,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

The Company has formed, by the determination of the Board, an Audit Committee with Independent Director Mr. H. Thomas Winn as Chairman. Mr. Winn is a qualified financial expert, such a term is used in Item 7(d)(3)(iv) of Schedule 14A (240.14a-101 of this chapter) under the Exchange Act of 1934, as amended, (the "Exchange Act"). The Company has also formed a Compensation and Governance Committee, with Independent Director, Ms. Cynthia C. Thompson as Chairman; a Nomination Committee with Independent Director Mr. Welter Holden as Chairman; and a Science and Technology Advisory Committee with Dr. Vassilios Papadopoulos as Chief Scientist and Key Consultant to the Board. It should also be noted that no director or executive officer, key employee or key consultant of the Company has any family relationships with any other director, executive officer, key employee or key consultant of the Company, except Mr. Eugene Boyle, our Chief Financial Officer and Chief Operating Officer, is the son of Dr. Janet Greeson.

On May 30, 2006 the Board of Directors of Samaritan approved and adopted the Change in Control Severance Plan for Certain Covered Executives and Employees of Samaritan Pharmaceuticals (the "Plan"), effective May 30, 2006. The Plan is intended to help avoid the loss and distraction of certain key employees of the Company in the event of a change in control. The Plan has an initial term of three years with automatic three-year extensions, unless terminated by the Board at least six (6) months prior to the end of the then current term.

The Chief Executive Officer, Chief Operating Officer, Senior Vice Presidents, Vice Presidents, and Directors are eligible to participate in the Plan, and the Board may designate other employees of the Company as Plan participants. The Company shall pay or cause to be paid to the participant a cash severance calculated based on a multiplier of four (4) months of base salary for every year of service up to maximum in of either twenty four (24) months or thirty six (36) months depending on the participants job title or job category. The severance amount equals the applicable multiplier times the sum of (A) the Participant's highest annual rate of base salary as reported on the

participant's W-2 for employee or on the participant's 1099 for directors within the thirty six (36) month period immediately preceding the Effective Date of the change in control and (B) the participant's maximum annual target bonus in effect upon the date of the change in control under the Company's bonus plan or the Participant's actual earned commission incentive for the last two quarters, which will be annualized, prior to the change in Control, not to exceed the target at 100% of achievement as defined in the Company's Sales Incentive Plan in effect upon the date of the change in control.

The Plan provides that, if, within three years following a "change in control" (as defined in the Plan), a participant's employment is terminated by the Company without "cause" (as defined in the Plan) or by the participant for "good reason" (as defined in the Plan), the participant is eligible for severance benefits equal to a multiple of the sum of the participant's base salary and the higher of the participant's target bonus opportunity during the year in which the change in control occurs or his or her target bonus opportunity following the change in control. Each participant will also receive his or her salary through the date of termination, a pro rata target bonus payment for the year in which the termination occurs, a pro rata long-term incentive payment to the extent provided in the Company's Long Term Incentive Plan, and any earned but unpaid long-term incentive payments or annual bonuses. In the event that a participant becomes subject to an excise tax under section 280G of the Internal Revenue Code of 1986, as amended, the participant will generally be entitled to receive an additional amount such that the participant is placed in the same after-tax position as if no excise tax had been imposed. The plan may be amended by the Board at any time, except that no amendment that adversely affects the rights or potential rights of a participant will be effective in the event that a change in control occurs within three (3) year of such amendment.

On May 30, 2006, the Board of Directors of Samaritan approved and adopted indemnification agreement forms for certain covered executives and employees of Samaritan. The Company has entered into indemnification agreements with each of its current directors and certain of its executive officers and intends to enter into such Indemnification Agreements with each of its other executive officers to give such directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Company's Certificate of Incorporation and Amended and Restated Bylaws and to provide additional procedural protections. At present, there is no pending litigation or proceeding involving a director, officer or employee of the Company regarding which indemnification is sought, nor is the Company aware of any threatened litigation that may result in claims for indemnification.

ITEM 6. EXHIBITS AND CURRENT REPORTS ON FORM 8-K

Listed below are all exhibits filed as part of this Quarterly Report on Form 10-Q. Some exhibits are filed by the Company with the SEC pursuant to Rule 12b-32 under the Exchange Act.

EXHIBIT NO.	DESCRIPTION	LOCATION
2.1	Agreement and Plan of Reorganization	Incorporated by reference to Company's Form 10-SB12G as f July 21, 1999
3.1	Articles of Incorporation, restated as last	Incorporated by reference to

	amended June 10, 2005	Company's Current Report on SEC on July 8,2005
3.2	Bylaws, restated as last amended April 18, 2005	Incorporated by reference to Company's Current Report on the SEC on July 21, 1999
4.1	Form of Common Stock Certificate	Incorporated by reference to Information Statement as fil 29, 2005 and approved by the 10, 2005
4.2	Amended Samaritan Pharmaceuticals, Inc. 2001 Stock Option Plan	Incorporated by reference to Company's Quarterly Report o with the U.S. Securities
4.3	Samaritan Pharmaceuticals, Inc. 2005 Stock Option Plan	Incorporated by reference to Information Statement as fil April 19, 2005 and approved June 10, 2005
10.1	Assignment of Invention, dated September 6, 2000, by and between Linda Johnson and the Company	Incorporated by reference to Company's Quarterly Report o with the SEC on August 14, 2
10.2	Assignment of Invention, dated May 14, 2999, by and between Linda Johnson and Spectrum Pharmaceuticals Corporation	Incorporated by reference to Company's Quarterly Report o with the SEC on August 14, 2
10.3	Assignment of Invention, dated May 22, 1990, by and between Alfred T. Sapse and Spectrum Pharmaceutical Corporation	Incorporates by reference to Company's Current Report on with the SEC on April 14, 20

10.4	Common Stock Purchase Agreement (Purchase Agreement I), dated April 22, 2003, by and between the Company and Fusion Capital Fund II, LLC	Incorporates by reference to Company's Current Report on the SEC on April 25, 2003
10.5	Registration Rights Agreement, dated April 22, 2003, by and between the Company and Fusion Capital Fund II, LLC	Incorporates by reference to Company's Current Report on the SEC on April 25, 2003
10.6	Employment Agreement dated as of January 1, 2001, by and between Samaritan Pharmaceuticals, Inc. and Mr. Thomas Lang	Incorporated by reference t Company's Quarterly Report o with the SEC on August 16, 2
10.7	Form of Trust Under Samaritan Pharmaceuticals, Inc. Deferred Compensation Plan	Incorporated by reference to Company's Quarterly Report o with the U.S. Securities and on August 14, 2002
10.8	Employment Agreement, dated as of June 1, 2004, by and between Samaritan Pharmaceuticals, Inc. and Eugene Boyle	Incorporated by reference to Company's Quarterly Report o with the SEC on August 14, 2
10.9	Employment Agreement, dated as of January 1, 2001, by and between Samaritan Pharmaceuticals, Inc. and Janet Greeson	Incorporated by reference to Company's Quarterly Report o with the SEC on August 14, 2

10.10	Master Clinical Trial and Full Scale Manufacturing Agreement, dated October 5, 2004, by and between the Company and Pharmaplaz, LTD	Incorporated by reference to Company's Quarterly Report o with the SEC on November 15,
10.11	Common Stock Purchase Agreement (Purchase Agreement II), dated May 12, 2005, by and between the Company and Fusion Capital Fund II, LLC	Incorporated by reference to Company's Quarterly Report o with the SEC on May 13, 2005
10.12	Amendment to Common Stock Purchase Agreement, dated December 19, 2005, by and between the Company and Fusion Capital Fund II, LLC	Incorporated by reference to Company's Registration State filed with the SEC on Decemb
10.13	Registration Rights Agreement, dated May 12, 2005, by and between the Company and Fusion Capital Fund II, LLC	Incorporates by reference to Company's Quarterly Report o with the SEC on May 13, 2005
10.14	Norbrook Supply Agreement	Incorporated by reference to Company's Current Report on the SEC on September 27, 200
10.15	Research Collaboration and Licensing Agreement, dated June 8, 2001, by and between the Company and Georgetown University	Incorporated by reference to Company's Registration State filed with the SEC on July 3
10.16	Change in Control Severance Plan for Certain Covered Executives and Employees of Samaritan Pharmaceuticals, Inc.	Incorporated by reference to Company's Quarterly Report o with the SEC on August 14, 2
10.17	Samaritan Pharmaceuticals, Inc.'s Director/Officer's Indemnification Agreement	Incorporated by reference to Company's Quarterly Report o with the SEC on August 14, 2
10.18	Stock Purchase Agreement among: Samaritan, Metastatin and Metastatin Shareholders	Provided herewith
14.1	The Samaritan Pharmaceuticals, Inc. Code of Conduct	Incorporated by reference to Company's Annual Report on F with the SEC on April 15, 20
16.1	Letter Regarding Change in Certifying Accountant	Incorporated by reference to Company's Quarterly Report o with the SEC on September 27
21	List of Subsidiaries	Incorporated by reference to Company's Quarterly Report o with the SEC on May 15, 2006

31.1	Certification of Chief Executive Officer re: Section 302	Provided herewith
31.2	Certification of Chief Financial Officer re: Section 302	Provided herewith
32.1	Certification of Chief Executive Officer re: Section 906	Provided herewith
32.2	Certification of Chief Financial Officer re: Section 906	Provided herewith

(B) Current Reports on Form 8-K Filed During The Quarter Ended September 30, 2006

None.

SIGNATURES

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

SAMARITAN PHARMACEUTICALS, INC

Dated: November 14, 2006

By: /s/ Eugene Boyle

Eugene Boyle,
Chief Financial Officer,
Director